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AGRICULTURAL EXPORT EQUITY AND MARKET EXPANSION ACT OF 1983

MARCH 16 (legislative day, MARCH 14), 1983.—Ordered to be printed

Mr. HELMS, from the Committee on Agriculture, Nutrition, and Forestry, submitted the following

REPORT

[To accompany S. 822]

The Committee on Agriculture, Nutrition, and Forestry reports an original bill (S. 822) to expand markets for United States agricultural commodites, expand authority for the use abroad of Commodity Credit Corporation stocks, require the export sale of Commodity Credit Corporation dairy products, improve programs under Public Law 480, and for other purposes, and recommends that the bill do pass.

SHORT EXPLANATION

The Committee bill authorizes or directs the Secretary of Agriculture to take a number of actions designed to restore equity to the international trade of agricultural commodities and products thereof and to maintain and enhance foreign markets for U.S. agricultural exports. The bill also authorizes the increased use of commodities held by the Commodity Credit Corporation for humanitarian and market development purposes overseas and authorizes other actions to encourage exports of U.S. agricultural commodities and products thereof.

SUMMARY OF MAJOR PROVISIONS

Title I of the bill would state certain congressional findings regarding the status of U.S. agricultural exports, and declare that

S163-2

Congress considers the expansion of agricultural exports to be one of the highest national priorities.

Title II of the bill would—

(1) Require the Secretary of Agriculture to sell for export, at not less than the minimum prices established in the International Dairy Arrangement, Commodity Credit Corporation, dairy stocks of at least 150,000 metric tons in each of the fiscal years 1983, 1984, and 1985.

(2) Require the Secretary of Agriculture in each of fiscal years 1983, 1984, and 1985 to use CCC funds equal to one-half of the proceeds from the sale of dairy products under the previous item during each such fiscal year for export assistance for U.S. agricultural commodities and products to equalize the price and credit subsidies of other nations on their agricultural exports.

(3) For fiscal year 1983, require the use of $90 million of Commodity Credit Corporation funds for price or credit subsidies for exports of value-added or high-value agricultural products produced in the United States, with at least $20 million to be used for U.S. poultry and eggs, $15 million for raisins, and $5 million for canned fruit.

(4) Provide that agricultural commodities and products acquired by CCC may be tendered at no cost to exporters, users, and foreign purchasers to encourage foreign market development for U.S. commodities. Under the export "PIK" program—

(a) Domestic users must be provided equal treatment relative to foreign purchasers and users in cases where domestic users may be disadvantaged as a result of the program;

(b) All interested foreign purchasers are to be considered for participation, with priority given to those who have traditionally purchased U.S. agricultural commodities and who continue to make such purchases in excess of purchases during a representative period;

(c) CCC commodities must be used to encourage increased use and avoid displacing usual marketings of the United States;

(d) Reasonable precautions must be taken to prevent resale or transshipment of commodities; and

(e) Supplemental distributions of commodities may be made to foreign purchasers who sell the commodities in the importing country and use the proceeds for the construction or rehabilitation of facilities in the importing country to improve the marketing, storage, or distribution of U.S. agricultural commodities in the importing country.

(5) For fiscal years 1983 and 1984, authorize the use of up to 1½ million metric tons of wheat from the food security wheat reserve to carry out an export PIK program as authorized under the bill. Replenishment would be required in accordance with the provisions of the Food Security Wheat Reserve Act of 1980 before October 1, 1984.

(6) Express the sense of Congress that the Secretary of Agriculture should—

(a) Fund market development and cooperator programs administered by the Foreign Agricultural Service at the same real level as in fiscal year 1971, or at a greater real level than in fiscal year 1971;

(b) Fund an export market development program for value-added and processed agricultural products at higher levels than during fiscal year 1983; and

(c) Increase to at least 15 the number of United States Agricultural Trade Offices in foreign countries.

(7) Express the sense of Congress that in fiscal year 1983 not less than $1 billion should be made available to fund the Agricultural Export Credit Revolving Fund established under section 4(d) of the Food for Peace Act of 1966.

(8) Provide that the provisions of the cargo preference laws shall not apply to future export payment-in-kind or blended credit activities of the Commodity Credit Corporation.

Title III of the bill would—

(1) Expand current authority in section 416 of the Agricultural Act of 1949 (to donate stocks of dairy products to needy persons in foreign countries) to include donations of other CCC agricultural commodities and products thereof, and to permit the sale and use for barter, as approved by the Secretary of Agriculture, of such commodities and products by the recipients for the benefit of needy persons.

(2) Authorize the use of CCC commodities under titles I, II, and III of Public Law 480 in addition to programmed levels.

(3) Provide that in distributing agricultural commodities under title II of Public Law 480, the President shall—

(a) Consider the nutritional assistance to recipients and the benefits to the United States which would result from providing processed and protein fortified products,

(b) Take all feasible steps to assure that approximately 55 to 60 percent of the total actual tonnage of such commodities distributed in each fiscal year are processed and protein fortified products, and

(c) Consider the nutritional needs of the proposed recipients of donated commodities and the purposes of title II in selecting commodities for distribution.

(4) Require the President, in using nonprofit voluntary agencies to distribute commodities under title II, to give consideration to any nutritional and developmental objectives established by those agencies based on their assessment of the needs of the recipients.

(5) Require that the President give consideration to using the capability and expertise of U.S. nonprofit voluntary agencies and cooperatives in developing and carrying out Food for Development Programs under title III of Public Law 480.

(6) Increase the minimum required level for Public Law 480 title III projects to approximately 17 to 20 percent of the title I agreements for the fiscal year and require the President, if the target level is not reached, to report to Congress the reasons why there were not an adequate number of acceptable projects for title III agreements and the efforts by the United States to

assist eligible countries in identifying appropriate projects for title III assistance.

(7) Require that agreements entered into under title III of Public Law 480 each year must provide, to the extent feasible, that the commodities made available or the funds generated from the sale of commodities made available under the agreements be used at the farm and village level in famine-prone countries, particularly in sub-Saharan Africa, to establish rural projects emphasizing post-harvest food conservation and providing for the maximum feasible participation in development and administration of projects by the intended beneficiaries of the projects. Agreements entered into to carry out such rural projects must specify the measures to be taken to implement the specified requirements and to ensure that the commodities being provided, or funds generated from the sale of such commodities, will be used primarily to benefit the poor.

Title IV of the bill would—

(1) Allow the sale for unrestricted use of CCC stocks of extra long staple cotton at prices the Secretary determines appropriate to maintain and expand export and domestic markets for such cotton.

(2) Express the sense of Congress that, as soon as practicable after enactment of the bill, the President should initiate negotiations with the Soviet Union to conclude a long-term agreement for the purchase of U.S. grain by the Soviet Union.

(3) Require the Commodity Credit Corporation, to the maximum extent practicable, in consultation with the Secretary of State, to use CCC commodities to barter for strategic and critical materials.

(4) Provide that if the volume of petroleum products stored in the Strategic Petroleum Reserve is less than the level prescribed by law, CCC must, to the maximum extent practicable, with approval of the Secretary of Agriculture and in consultation with the Secretary of Energy and Secretary of State, accept petroleum products in exchange for CCC commodities and transfer such products, without reimbursement, to the Strategic Petroleum Reserve.

(5) Require the President, effective October 1, 1983, to use not less than 20 percent of the funds appropriated for the Economic Support Fund to purchase U.S. agricultural commodities, of which at least one-half must be processed or value-added products.

Title V of the bill would—

(1) Require the Secretary of Agriculture to report to the Senate and House agriculture committees by July 1, 1983, on the use of export subsidies by foreign countries competing in world trade in agricultural commodities with the United States.

(2) Require the President to report to Congress by March 31, 1983, on the status of negotiations on a new long-term grain sales agreement with the Soviet Union.

(3) Require the Secretary of Agriculture to report to Congress by July 1, 1983, on the expansion of bilateral agricultural trade agreements and their impact on trade.

(4) Require the Secretary of Agriculture, within 90 days after enactment of the bill, to report to Congress on the status of the programs carried out by CCC relating to the barter or exchange of commodities owned by CCC for materials and products produced in foreign countries.

(5) Require the Secretary of State to report to Congress by July 1, 1983, on all existing programs administered by the Secretary under which surplus agricultural commodities are or could be distributed to foreign countries, including recommendations on how such distributions could be increased.

Background and Need

INTRODUCTION

Freedom and fairness in trade have been the hallmarks of U.S. trade policy. While it is not likely that there will ever be a completely free trading system in the world, it is realistic to expect free trade to be a guiding principle for all nations.

Today, U.S. agriculture is organized to operate in this kind of environment, and U.S. farmers have met the challenge to produce for the world marketplace. The consensus in U.S. agricultural policy is that this is not only best for those who benefit from plentiful quantities of high quality food at competitive prices, it is also best for the American farmer.

In recent years this free and market-oriented trading system has come under assault by those who would destroy it through the use of predatory agricultural export subsidies.

The policy initiatives provided for in this legislation will bring a measure of equity to the world agricultural trading system for U.S. farmers. It is designed to enhance U.S. agricultural exports within the framework of the international agreements our country has entered into, and it is designed to induce those nations which employ predatory subsidies to stop using them.

Our Government has taken every other action at its disposal without effective result. It is the Committee's view that the utilization of some of the same kinds of measures—now being used by many competitor nations—and by the United States is the only hope we now have for bringing such nations to the bargaining table so that comity and fairness might be restored to the world trading system.

U.S. AGRICULTURAL EXPORT SITUATION

U.S. agricultural exports decline

Over the past decade, the United States has been the world's largest exporter of agricultural products and commodities, now supplying 80 percent of the soybeans, 60 percent of the feed grains, 40 percent of the wheat and cotton, and 20 percent of the tobacco and rice moving in world trade.

The value of these exports increased from approximately $7 billion in 1970 to around $43.8 billion in fiscal year 1981, and the volume has more than doubled in that same period. These exports create more than half-a-million domestic jobs in related industries, and take the production of two out of every five acres of cropland.

They generate about one-fourth of all farmers' cash receipts, and contribute about $20 billion to our favorable balance of trade.

Despite the many benefits of international trade in farm products in the United States, agricultural exports have begun to decline. The value of U.S. agricultural exports in fiscal year 1982 was $39.1 billion, a decline of almost $5 billion from the 1981 level. This represents the first year-to-year decline in the value of farm exports in more than a decade. The Department of Agriculture is projecting a further decline in the current year to $36 billion—down 8 percent from 1982.

Projections for 1983 U.S. agricultural exports

The United States and other major developed nations' economies are expected to continue slow growth in the first half of 1983. Growth may strengthen in the second half, partly depending on an early recovery in the U.S. economy. For most major developed and developing countries, economic growth rates are forecast only slightly above 1982 levels, but unemployment rates will likely remain high through the year. Thus, economic recovery is not likely to benefit farm product exports appreciably during 1983. The U.S. dollar has slipped from the high levels of late 1982 but is likely to remain well above its pre-1981 value.

The volume of U.S. wheat and flour exports in fiscal 1983 is forecast to drop a tenth, as lower shipments to the USSR, China, and Western Europe are likely to offset gains to India and Egypt. Increased exports from Argentina, Canada, and the European Economic Community (EEC) are likely to result in a lower U.S. share of the world market. First quarter U.S. wheat shipments were about one-third below last year's level and must accelerate sharply to reach the forecast level. Export movement is expected to pick up considerably during the remainder of the year as recent purchases, including a large flour purchase by Egypt, are shipped.

United States coarse grain exports may increase slightly with heavy shipments to Mexico and a marginal gain in our global market share. First-quarter exports were down 10 percent, but shipments are expected to pick up as Mexico and other importers move to cover their large import needs. Lower anticipated exports from Southern Hemisphere countries later in the season could also strengthen U.S. exports.

United States rice exports are expected to decline to about 2.3 million tons in fiscal year 1983 from 2.9 million a year earlier. With ample stocks in major exporting countries, U.S. rice sales face very stiff competition in Indonesia, the Middle East, and Nigeria. International financial problems will also have an adverse impact on our rice shipments during the current year.

The value of U.S. exports of oilseeds and products may decline 6 percent due to lower prices, but soybean and soybean meal export volumes may be at record level. U.S. soybean exports may increase slightly to nearly 26 million tons. Despite the high value of the dollar, reduced U.S. soybean prices are very attractive in the EEC market because of high EEC grain prices. In addition, less competition is likely from the Southern Hemisphere this year. U.S. soybean oil export volume, however, is expected to show little change due to strong competition from Malaysian palm and Brazilian soybean oil.

United States cotton exports are forecast to decline about one-fourth in volume as world textile demand remains weak and world cotton imports drop sharply. The U.S. market share is also expected to drop due to the strong U.S. dollar and larger foreign export availabilities. Unmanufactured U.S. tobacco exports are forecast to total about the same in volume and value as in fiscal year 1982. Although exports increased slightly in the first quarter as many importers replenished depleted stocks, exports during the rest of the fiscal year are expected to remain weak in the face of sluggish world cigarette demand.

The value of the U.S. dairy, livestock, and poultry exports is forecast to increase slightly to $4.2 billion with increased volumes and prices for beef and cattle hide exports. U.S. beef exports are expected to increase primarily to Japan because of some relaxation in import restrictions and continued strong consumer demand for beef. Cattle hide exports will rise with reduced cattle slaughter in the EEC and Argentina. Poultry exports continue to suffer from increased subsidized competition from the EEC and Brazil, as well as the depressed world economy. Dairy product exports may rise due to larger concessional shipments of nonfat dry milk.

United States exports of fruits, nuts, and vegetables are expected to decline to $2.7 billion. First-quarter exports totaled a disappointing $741 million, down 11 percent from a year earlier. Three-fourths of the decline occurred in exports to the EEC and Japan. For the rest of the year, exports may be off only slightly because of attractive U.S. prices.

United States agricultural exports to the developed countries may drop from $20 billion to around $18 billion in fiscal year 1983. Improved crop production in most countries, weak consumer demand, and lower export prices are major causes of the decline. Because of heavy grain shipments to Mexico and India, the value of exports to the developing countries is expected to increase about 7 or 8 percent from fiscal year 1982's reduced value of $14 billion. Exports to the centrally planned countries will likely fall more than one-third from last year's $5.1 billion.

Reasons for decline in U.S. agricultural exports

There are a number of reasons for the decline in U.S. agricultural exports. The world recession, weak foreign currencies and massive debt of many potential importers, the residual effect of the grain embargo imposed on the Soviet Union in 1980, and very favorable weather conditions worldwide are all causal factors. These are exacerbated by record production and large surpluses, which combine to provide less than normal incentive for importing nations to secure reserves of foodstuffs.

However, in addition to these geopolitical and economic factors, the use of export subsidies by a growing number of competitor nations has become one of the principal causal elements in this decline in U.S. agricultural exports.

The Committee believes that the continued application of massive export subsidies by our trading partners and competitors will severely dislocate U.S. agriculture. If these activities continue unchecked, the principal result could be a permanent reduction in the agricultural production base of the United States. The Committee finds such a situation unacceptable, and intends that negotiations proceed forthwith to eliminate the use of such massive, direct agricultural export subsidies as are employed by the European Economic Community and some other nations.

In short, the United States is losing vital agricultural trade, not only because of slack demand but because of unfair competition from massive foreign export subsidies.

The tables which follow provide statistical data on U.S. agricultural exports:

U.S. AGRICULTURAL EXPORTS FALL (FISCAL YEAR BASIS)

[Dollar amounts in billions]

Area	1981	1982	Percent change
Developed	$20.9	$20.1	−4
EC–9	8.9	8.9	0
Japan	6.7	5.7	−15
Other	5.3	5.5	+4
Developing	16.9	14.0	−17
Latin America	6.9	4.9	−28
Africa	2.8	2.4	−14
Asia	7.2	6.6	−9
Centrally planned	5.9	5.1	−15
U.S.S.R	1.7	2.3	+36
China	2.2	1.8	−17
Eastern Europe	2.1	.9	−55
Total	43.8	39.1	−11

Source: U.S. Department of Agriculture.

U.S. AGRICULTURAL EXPORTS DECLINE TO 6 OF TOP 10 MARKETS (FISCAL YEAR BASIS)

[Dollar amounts in billions]

Market[1]	1981	1982	Percent change
Japan	$6.706	$5.712	−15
Netherlands	3.171	3.252	+3
U.S.S.R	1.573	2.301	+46
Canada	2.022	1.845	−9
China	2.117	1.801	−15
South Korea	2.136	1.607	−25
Spain[2]	1.123	1.663	+48
West Germany	1.723	1.572	−9
Mexico	2.723	1.493	−45
Taiwan	1.105	1.166	+6

[1] Not adjusted for transshipments.

[2] Includes Canary Islands.

Source: U.S. Department of Agriculture.

VALUE OF MAJOR U.S. AGRICULTURAL COMMODITY EXPORTS DECLINES (FISCAL YEAR BASIS)

[Dollar amounts in billions]

Commodity	1981	1982	Percent change
Wheat and wheat flour	$7.965	$7.616	−4
Soybeans	5.986	6.479	+8
Corn	8.966	5.962	−34
Livestock products	3.148	3.164	+1
Horticultural products	3.084	2.851	−8
Cotton and linters	2.248	2.163	−4
Tobacco	1.339	1.486	+11
Soybean cake and meal	1.601	1.453	−9
Rice	1.537	1.149	−25
Feeds and fodders	1.012	.998	−1

Source: U.S. Department of Agriculture.

VOLUME OF MAJOR U.S. AGRICULTURAL COMMODITY EXPORTS (FISCAL YEAR BASIS)

Commodity	Million metric tons		Percent change
	1981	1982	
Corn	59.367	49.608	−16
Wheat and wheat flour	43.606	45.805	+5
Soybeans	19.972	25.477	+28
Grain sorghum	7.702	6.290	−18
Soybean meal	6.154	6.266	+2
Feeds and fodders	5.820	6.000	+3
Horticultural products	3.405	3.139	−8
Rice	3.172	2.911	−8
Barley and oats	1.934	1.980	+2
Oilseeds, other than soybeans	1.554	1.647	+6

Source: U.S. Department of Agriculture.

TOP MARKETS' PURCHASES OF LEADING COMMODIT

[In million dollars]

Country [1]	Soybeans	Corn	Wheat flour [2]	Livestock and products	Horticultural products	Cotton	Feeds and fodders	Soybean meal	Tobacco	Rice
Japan	1,040	1,259	564	732	479	542	126	12	290	
Netherlands	1,397	171	85	136	85	1	557	501	61	19
U.S.S.R.	179	950	1,107	15	19					
Canada	80	33		232	832	53	53	77	8	47
China	95	139	1,250	21	1	292				
South Korea	139	328	310	183	15	442	1	15	8	83
Spain	714	467	15	41	27	21	1	20	103	1
West Germany	539	138	32	107	179	49	79	142	184	13
Mexico	89	75	99	251	50	1	25	8		1
Taiwan	284	231	115	100	42	214	3		63	
Total	4,556	3,791	3,577	1,818	1,729	1,615	845	775	717	164

[1] Not adjusted for transshipments. [2] Includes products. Source: U.S. Department of Agriculture.

CHANGES IN SALES TO MAJOR REGIONS (FISCAL YEAR BASIS)

[Dollar amounts in billions]

Region	1981	1982	Percent change
Western Europe	$11.824	$12.164	+3
European Community	8.921	8.894	0
Other	2.093	.3.270	+13
Eastern Europe	2.056	.920	−55
U.S.S.R.	1.706	2.322	+36
Asia	16.133	14.137	−12
Middle East	1.780	1.486	−17
South	.598	.711	+19
Southeast, East	4.832	4.383	−9
Japan	6.739	5.737	−15
China	2.184	1.819	−17
Canada	2.141	1.872	−13
Africa	2.845	2.447	−14
North	1.514	1.389	−8
Other	1.331	1.058	−21
Latin America	6.870	4.938	−28
Mexico	2.732	1.493	−45
Central America and Caribbean	1.181	1.112	−6
South America	2.957	2.333	−21
Oceania	.2[illegible]	.294	+41

Source: U.S. Department of Agriculture.

FOREIGN EXPORT SUBSIDIES

Much of the erosion of U.S. agricultural markets overseas is the result of predatory export policies employed by competitor nations. These nations, such as the members of the European Economic Community (EEC) and Brazil, are using massive export subsidies to move their surpluses into world markets, which displace sales from the United States and other competitive export nations.

European Economic Community export subsidies

The European Economic Community was established by the Treaty of Rome in 1957. A Common Agricultural Policy (CAP) called for in the original 1957 treaty was begun by regulation in 1962, and implemented by 1967.

The CAP includes several elements: high internal support prices for commodities, variable levies and tariffs to keep imports from undermining the support programs, and restitution payments to EEC processors and exporters to allow them to sell in world markets.

In effect, the EEC pays an exporter the difference between the high internal price and the lower world market price for agricultural commodities and products. Expenditures for the CAP have risen 15 to 20 percent annually from 1977 to 1982.

The EEC's aggressive use of export programs to dispose of surplus stocks generated by their high internal support prices has made the Community a major contender for world markets.

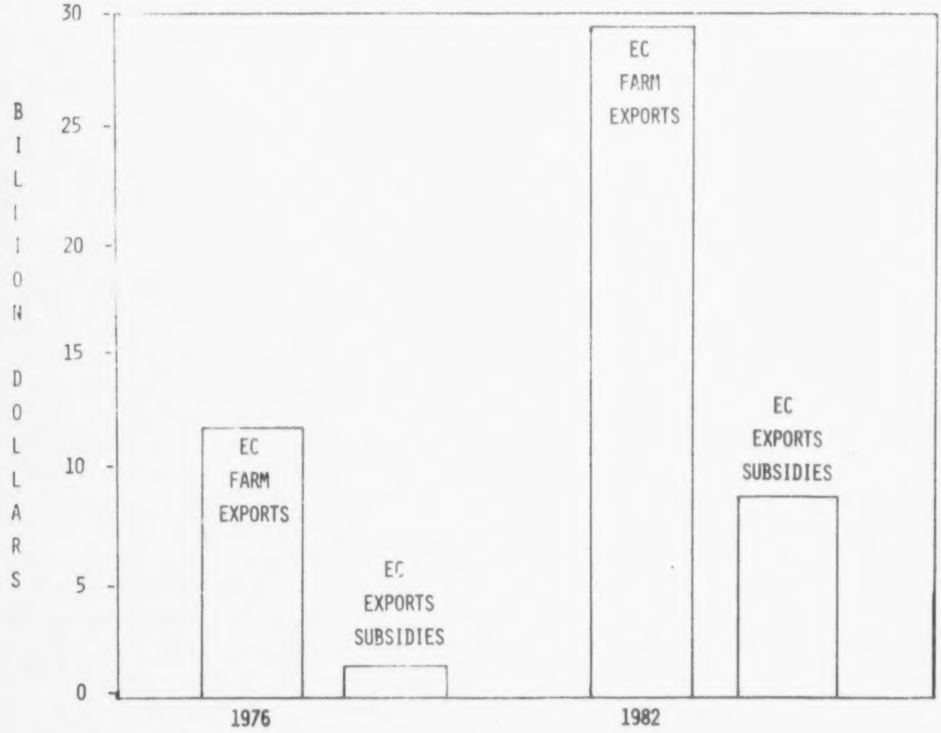
—EEC exports to countries outside the Community have more than doubled in the past 5 years.

—The EEC's 1982 exports of over $80 billion in farm products to all sources will continue 2 decades of uninterrupted gains in their farm exports.

—EEC exports of close to $30 billion to non-EEC member countries in 1982 will be approximately three-fourths of the entire U.S. export level.

This dramatic growth is closely correlated with increases in export subsidies. In 1976, the EEC exported $12 billion of agricultural commodities to non-EEC members, using approximately $2 billion in direct export subsidies. In 1982, the EEC exported nearly $30 billion of agricultural commodities to non-EEC members using nearly $8 billion in direct export subsidies. This is graphically displayed in the following chart:

EC SUBSIDIES EXPAND THEIR EXPORTS



Source USDA

The combined budget for domestic and export subsidies for the EEC was $30 billion in 1982. Of course, the amount of subsidy fluctuates from year to year, depending on world economic conditions. But, the fact is that the existence of subsidies at all makes a vital difference as to which nation makes a sale.

Witnesses at the Committee hearing indicated that the EEC admits that their farm exports must be subsidized to be sold outside the Community. Recently, EEC butter prices were 53 percent higher than the world market, wheat prices were 38 percent higher.

The following is a comparison of U.S. and EEC support prices for 1982–83:

Commodity and unit	U.S. support price [1]	EEC support price [2]
Metric tons:		
Wheat	$148.63	$209.10
Barley	119.35	179.27
Corn	106.38	179.27
Rice (paddy)	239.20	290.55
Soybeans	184.23	527.40
Kilograms:		
Milk (100)	28.88	26.81
Butter (100)	330.69	349.70

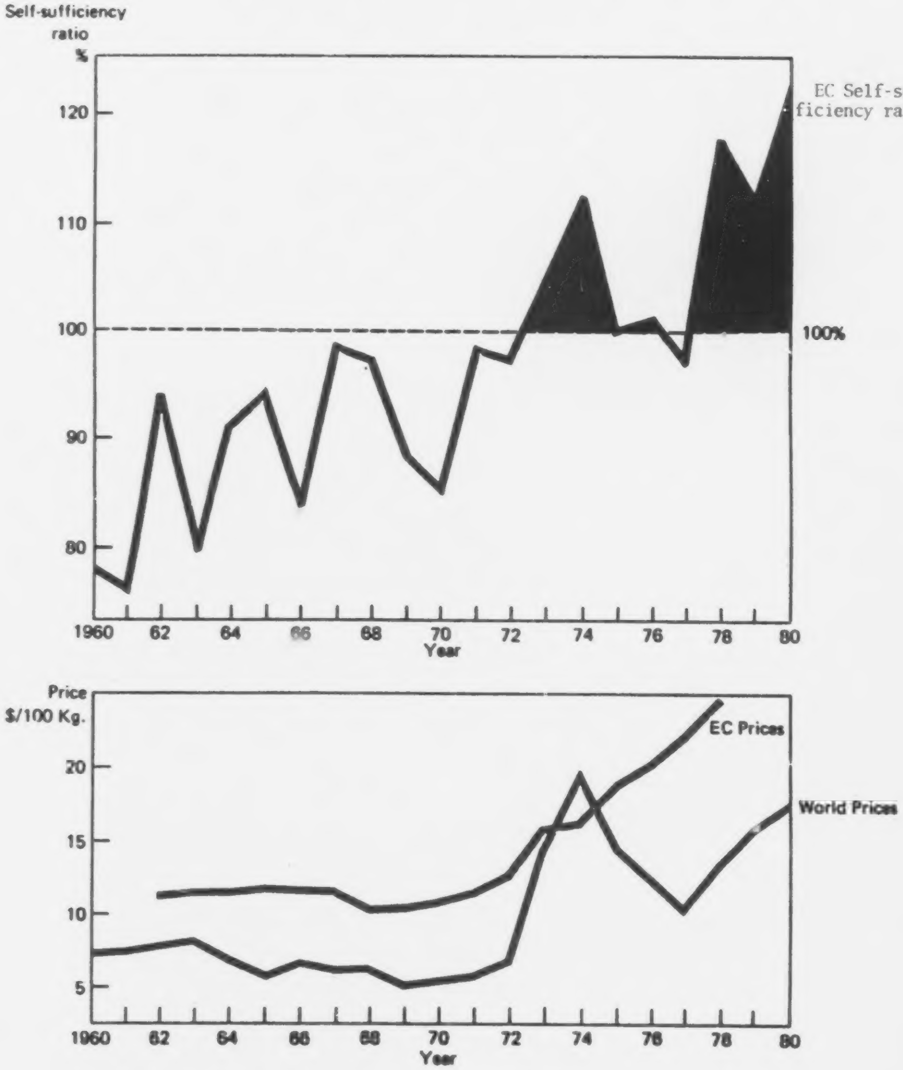
[1] U.S. support prices are target prices for wheat, barley, corn, and rice; loan rate for soybeans; support price for manufacturing milk containing 3.5 percent fat; CCC purchase price for butter (bulk, Chicago) at Oct. 1, 1982.

[2] EEC support prices are intervention prices for barley, corn, rice, and butter; reference price for milling quality wheat; target price for milk; guide price for soybeans. Covered at 1 ECU = $1 at mid-1982.

European farm spokesmen relate that their intent is merely to be self-sufficient in the production of basic commodities. However, the facts demonstrate that their policy has gone significantly beyond that. Chart 1 shows that EEC soft wheat prices are not only significantly above world prices, they have stimulated production as much as 20 percent above self-sufficiency. Chart 1 follows:

Chart 1

SOFT WHEAT



World Prices - Australia (Sidney) (International Financial Statistics)
EC Prices - Wholesale - Eurostats
Import/Export ratio - USDA data

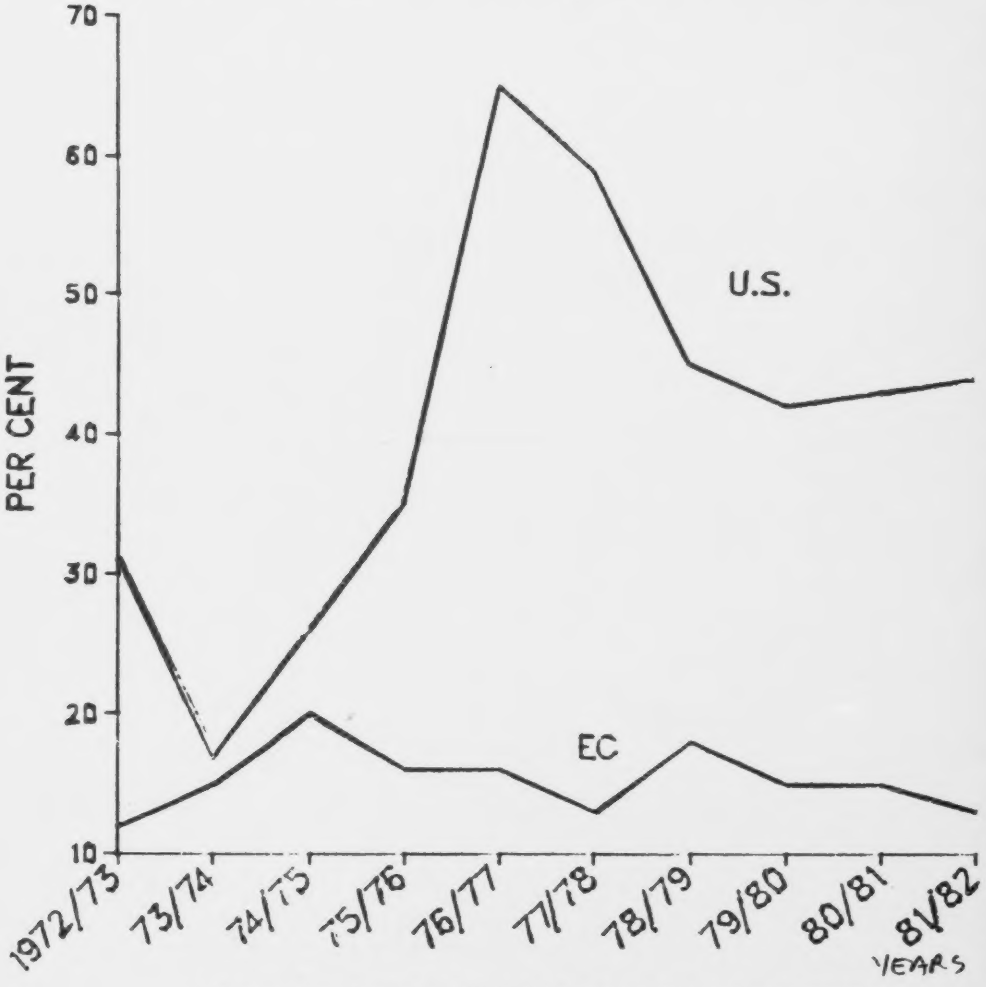
Treasury: ITT

Of course, there will be times when any commodity such as wheat is in surplus. The United States has acted responsibly in such times by initiating policies to reduce production and by massive storage programs, The EEC, however, has been unwilling to share the burden of supply management. Indeed, their response to surpluses has been to encourage still more production by raising domestic prices and increasing the export subsidy interventions.

Chart 2 shows just exactly what the consequences of all this has been. It is clearly evident that the United States has carried the world's wheat inventory, while the EEC has not made a substantial effort to hold their large surpluses. This means that the cost of carrying these world stocks—and consequently much of the costs of the EEC Common Agricultural Policy as it is now being operated—is borne by U.S. farmers and U.S. taxpayers. Chart 2 follows:

Chart 2

U.S. & EC WHEAT STOCKS PER CENT SHARE OF USE *



* USE IS TOTAL UTILIZATION PLUS EXPORTS

The European policies of artifically high internal prices and export subsidies—rather than the storage of surpluses and supply management programs such as those employed by the United States—has produced a world market situation that is intolerable.

Brazilian soybean exports

Brazil has used a complex combination of tax incentives, subsidized financing, price controls, quotas, export rebates and credits, restitutions to crushers and processors, and income tax exemptions to build an industry that now dominates the world soybean oil market.

During the period 1973–1981, the U.S. soybean industry lost a significant world share of the crush volume and exports of meal and oil with the following results:

—U.S. share of world soybean meal exports declined from 78 percent to 39 percent.

—U.S. share of soybean oil exports declined from 64 percent to 24 percent.

—U.S. crushing margins, as indicated by USDA's weekly calculation of central Illinois spot margins, declined from 72 to 23 cents per bushel.

—Utilization of U.S. plant capacity declined from 83 to 71 percent.

—U.S. stocks of soybean oil rose to 700,087 metric tons, equal to 106 percent of total exports for the year.

These disastrous trends, which continue today, are the products of extensive subsidies, particularly in Brazil, compounded by U.S. export embargoes in 1973, 1974, 1975, and 1980.

In 1973–74, the world soybean meal market was 6.4 million tons. The United States supplied 78 percent, or 5 million metric tons, and Brazil supplied the remaining 22 percent, or 1.4 million metric tons.

By 1980–81, the world market had grown to 15.5 million metric tons. U.S. volume increased to 6.1 million metric tons, but our market share dropped to 39 percent. Over this same period, Brazil increased its market share to 55 percent, exporting 8.6 million metric tons.

In soybean oil, Brazil was not a supplier in 1973–74. The United States had 64 percent of the world market, the EEC had 27 percent, and all others had 9 percent. But by 1980–81, Brazil had jumped to 45 percent of the world soybean oil market. The U.S. share had declined to 24 percent, while the EEC's share had fallen to 14 percent.

The Brazilian soybean industry enjoys the full support of its government's treasury and is rapidly forcing all other suppliers out of the world market. For example, earnings from soybean oil exports are exempt from income tax in Brazil.

Poultry

The situation facing the U.S. poultry industry is another case in point. U.S. poultry exports declined in 1982 by one-third in value compared to the previous year.

Exports of whole broilers dropped 75 percent in 1982, from $163 million to just $41.5 million. Export sales of all poultry and poultry products for the period amounted to $478 million, down from $710 million during the same period in 1981.

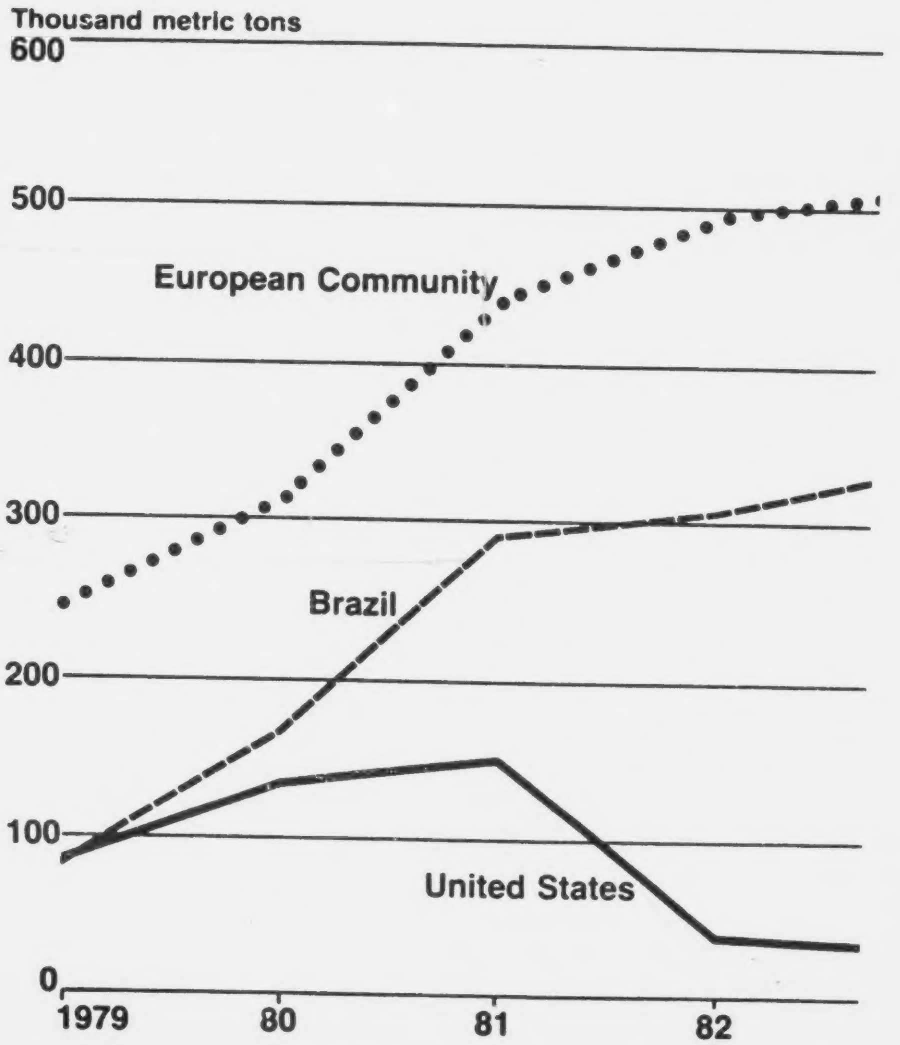
Most observers attribute the rapidly expanding use of export subsidies by the European Economic Community and Brazil as the major reason for this precipitous decline.

The poultry industry situation is illustrated in chart 3, which demonstrates how the exports of whole chickens from the United States have fallen. Meanwhile, exports from the EEC and Brazil have dramatically increased.

Sales of U.S. broilers are not being displaced because of quality considerations, and they are not being displaced on the basis of production costs. Both these factors tend to work in favor of U.S. producers. Rather, these markets are lost for this product because of the government financed subsidies employed by competitor nations. Chart 3 follows:

Chart 5

Exports of Whole Chickens



In the EEC, poultry subsidies equal about $195 per metric ton for broilers, which is about 9 cents per pound. Direct subsidy payments to EEC broiler exporters in 1981 totaled nearly $41 million, while whole chicken exports from the EEC to non-EEC nations totaled $371 million. EEC egg exporters received an increase in their export subsidy—to 11 cents per dozen.

The Brazilian government uses subsidized credit as the principal means of subsidizing poultry exports. Producers may borrow up to 40 percent of the value of "ready-for-shipment" products. A 1-year loan is made at an annual interest rate of 40 percent, compared to the normal Brazilian commercial rates of 100 percent or more. This money is used by poultry producers to grow more broilers for the export market.

USDA reports that this credit program equals a subsidy of about $125 per metric ton. The subsidy paid to Brazilian poultry exporters for 1981 is estimated at $37 million, while poultry exports reached a value of $354 million.

The Middle East nations of Egypt and Iraq have historically trailed only Japan as the principal importers of U.S. poultry. But, as a result of these Brazilian and EEC subsidies, the U.S. share of the $650 million Middle Eastern broiler market plunged to less than 1 percent in 1982, while the EEC and Brazilian shares have climbed to 49 percent and 39 percent, respectively.

Competition from EEC and Brazilian poultry exports is likely to increase in the months ahead. French production of broilers is expected to grow by 10 percent a year while domestic consumption is expected to increase by only 3 percent. In 1981, broiler production in Brazil rose by 12 percent, while consumption increased just 2 percent.

In fact, the Brazilian poultry industry has expanded so rapidly that it now trails only the United States in total broiler output. Production has risen more than six-fold since 1971 to 1.5 million metric tons in 1982. Broiler exports have quadrupled from 81,000 tons in 1979 to 330,000 tons in 1982. Brazilian broiler exports have gone from 3 percent of domestic production in 1976 to 20 percent in 1982.

One effect of subsidization is that production no longer relates to domestic demand—and may not even relate closely to export demand.

In the EEC, poultry producers are assured of subsidy payments for any quantity exported. Lower prices in export markets resulting from oversupply are offset by raising the subsidy level. In 1982, sagging Middle Eastern prices for imported whole broilers were accompanied by four increases in EEC export subsidies.

Foreign export subsidies work against U.S. exporters in two ways. EEC and Brazilian exports receive a significant competitive advantage in the price-conscious Middle Eastern market.

At the same time, these subsidies encourage excess production in the EEC and Brazilian export sectors. This surplus output has saturated the Middle Eastern market with whole broilers and eggs, thus lowering prices to levels which U.S. producers cannot meet.

The present decline in U.S. poultry exports is a cause for concern from several points of view. On the basis of pure economic competition, it would appear that U.S. poultry exporters should be dominant and that exports should be increasing.

Certainly, no other country has better production efficiency or technology. Furthermore, the EEC—the largest U.S. competitor—is heavily dependent on feed imports, while the United States is self-sufficient.

Also, the U.S. poultry industry has made strenuous efforts to service export markets. Many U.S. companies have become export-oriented, meeting special requirements such as Arabic labeling and Islamic slaughter specifications.

Moreover, the American poultry industry has come to depend on exports. In 1981, U.S. poultry exports brought in $770 million, with the volume of broiler exports accounting for 6 percent of U.S. production.

But U.S. poultry producers have been preempted from gaining a significant share of the Middle Eastern market and now have virtually lost those few customers they had in the area.

In the future, other U.S. export markets—such as those that import primarily chicken and turkey parts—may be significantly eroded. And this situation has developed, not primarily from economic advantage and free competition, but because of the subsidy policies of foreign governments.

The following tables show the U.S. production and exports of poultry meat, poultry meat production in the major producing countries, and Brazilian broiler exports:

U.S. PRODUCTION AND EXPORTS OF POULTRY MEAT, 1972–82

[In thousands of metric tons]

	Exports	Production	Exports as percentage of production
1972	65.3	4,923	1.3
1973	72.2	4,875	1.5
1974	76.8	4,941	1.6
1975	93.6	4,845	1.9
1976	179.3	5,385	3.3
1977	185.9	5,535	3.4
1978	195.5	5,880	3.3
1979	232.9	6,519	3.6
1980	334.0	6.628	5.0
1981	385.8	6,985	5.5
1982	[1] 241.1	7,010	

[1] January–November, chicken and turkey.

Source: USDA.

POULTRY-MEAT PRODUCTION, 1977–83

[In thousands of metric tons]

	United States	Brazil	France	Germany	United Kingdom	Italy
1977	5,535	698	902	323	763	864
1978	5,880	858	963	350	783	896
1979	6,519	1,096	1,034	364	753	908
1980	6,628	1,326	1,121	374	754	953
1981	6,985	1,491	1,236	376	745	950
1982 [1]	7,010	1,591	1,345	380	780	966
1983 [2]	7,170	1,652	1,391	382	794	966

[1] Projected. [2] Forecast.

Source: USDA.

BRAZILIAN BROILER EXPORTS

Year	Exports (1,000 metric tons)	Exports as percent of production
1976	20	3
1977	33	5
1978	51	6
1979	81	7
1980	169	13
1981	294	21
1982 [1]	300	20
1983 [2]	330	21

[1] Estimated. [2] Projected. Source: USDA.

In short, these nations are using massive export subsidies and government interventions that act as direct subsidies to move their surpluses into world markets. This causes egregious damage to the U.S. economy, and to the economies of other competitive export nations.

RESPONSE OF THE UNITED STATES

Policymakers in the United States have not sat idly by in the face of the problems confronting agricultural trade and exports.

First, Congress and the Secretary of Agriculture have adjusted U.S. domestic farm policies and programs to operate within market forces of supply and demand—even when it has been costly in terms of Treasury outlays and reduced farm income. This has been done in the face of exactly the opposite policy adjustments by those nations utilizing agricultural export subsidies.

Second, Members of Congress and the Administration have been active in multilateral negotiations in an effort to bring an end to predatory trading practices by those nations employing them.

Policy adjustments

U.S. farmers have demonstrated their willingness to take responsible, strong, and effective steps to resolve the problem of oversupply. They have rejected the notion that we can "solve" our problems by dumping our surpluses on the world market. They have told Congress that they are willing to reduce their acreage instead. In 1982, 48 percent of the wheat base acres and 29 percent of the corn base acres in the United States were in compliance with the Government's acreage reduction program. More than 77 percent of the rice and cotton base acreage was in compliance. However, in spite of the reduction in acreage in 1982, very favorable weather conditions caused actual wheat and coarse grain production to increase by 1 percent.

Because of this unanticipated oversupply, an effort to induce even greater participation in the crop reduction programs for the

1983 crops was undertaken by Congress—this time even to include advance payments for participation. These acreage diversions and pre-paid deficiency payments will cost the taxpayers $2.4 billion in 1983.

In addition, Congress has provided for massive storage programs to permit farmers to hold the surpluses off the market until marketing conditions are more favorable. The United States now has 25 million tons of wheat and 34 million tons of corn in its reserve stocks. For fiscal years 1982 and 1983, the cost of the reserve programs is estimated to be $10 billion.

The Secretary of Agriculture has made use of a host of authorities at his disposal to employ every available means to stop the piling up of these kinds of surpluses and to begin reducing the stocks we now have.

To reduce production, encourage farmers to particpate in supply control programs, and encourage storage of surplus products, the Secretary of Agriculture—

(1) Announced acreage reduction and paid land diversion programs for 1983 crops of wheat, feed grains, upland cotton, and rice;

(2) Granted advance deficiency payments as a new incentive to participate in the wheat acreage reduction program;

(3) Made program announcements more than a month in advance of statutory deadlines—likely the earliest in history—so that farmers could plan early to participate;

(4) Provided a paid land diversion on corn that is double the amount required by law;

(5) Announced that 1983 crops will be allowed regular entry into the farmer-owned reserve;

(6) Provided $100 million in funding for the on-farm storage facility loan program;

(7) Eased requirements on the types of storage facilities that can be approved for USDA storage;

(8) Offered to enter into additional 2-year extended storage agreements with private grain elevator operators for up to 75 million more bushels above the 101 million bushels already in place;

(9) Extended for 6 months the maturity date of 1981-crop soybean loans, from January 30, 1983 to July 30, 1983;

(10) Implemented a payment-in-kind land diversion program for 1983 crops;

(11) Announced that storage would be paid for PIK commodities even after the title on them has been passed to the producer for up to 5 months (7 months in the case of farmer-owned reserve grain);

(12) Provided higher yield guarantees under the Federal crop insurance program to producers who participate in PIK; and

(13) Supported legislation which was enacted clarifying the tax status of PIK commodities so as to encourage farmers to participate.

The PIK program alone is anticipated to remove 23 million additional acres from production. The Department of Agriculture has estimated that wheat, corn, and sorghum production will be reduced by over 1 billion bushels (10 percent), cotton production will be reduced by 2.5 million bales (20 percent), and rice production will be reduced by 21 million hundredweight (15 percent).

In short, the United States has taken a large number of responsible and costly steps to address the surplus problem.

There is an increasing consensus in the United States, however, that competitor nations have not acted responsibly in the face of the worldwide glut of agricultural commodities. Harvested acreage for wheat and feed grains is estimated to have increased 3 percent in Canada and 8 percent in Argentina in 1982. Although the harvested area in the EEC is estimated to have increased by only one-half of 1 percent, the fact that there was any increase at all indicates an unwillingness to restrain production.

The increase in EEC support prices in the spring of 1981 was particularly disappointing to U.S. observers. The U.S. was led to believe that the EEC leaders were going to commit themselves to adjust support levels to world price levels. Instead, the EEC intervention and target prices were increased between 6 percent and 9 percent, thereby inducing even greater production from European farmers in the face of the glut. Of course, U.S. price supports were increased too, but U.S. increases were accompanied by the measures to reduce production and isolate some of the production from the market described above.

The United States has demonstrated that it is possible for farm policies to operate in a way that does not mitigate against the world trading system and against free and fair trade.

However, the Committee believes that it is unacceptable for the United States to continue to reduce its agricultural production base because of the application of growing and unrelenting export subsidies by competitor nations. That would mean the elimination of thousands of U.S. farms, a tremendous reduction of our Gross National Product, and the elimination of many thousands of jobs in related industries.

U.S. initiatives to restore equity to the world agricultural trade structure

The United States and other nations have been seeking to end the predatory trade practices being employed by competitor nations trading in world markets, and negotiations and discussions have been underway for several years on these trade matters.

Members of the Committee on Agriculture, Nutrition, and Forestry have held numerous discussions with representatives of the EEC, and the Subcommittee on Foreign Agricultural Policy held hearings on U.S.-European trade during December of 1981.

In 1982, during Committee consideration of agricultural programs in the budget reconciliation process, Senator Helms offered an amendment directing that $175 to $190 million of Commodity Credit Corporation funds be used to counter the price and credit subsidies of other countries. That amendment was adopted by the Committee and approved by the full Senate.

In conference with the House of Representatives, this language was revised to provide the $175 to $190 million for export activities of the CCC in general. President Reagan signed the Omnibus Budget Reconciliation Act of 1982 on September 8, 1982.

On October 20, 1982, Secretary of Agriculture John Block announced a "Blended credit" program for financing U.S. agricultural exports. The program used $100 million of the Helms amendment funds as interest-free direct credits, which were then blended with $400 million of CCC credit guarantees of private lender financing at market interest rates. The total package provided interest rates at levels competitive with subsidizing countries, so as to encourage potential purchasers to buy U.S. products.

The blended credit programs has proven highly successful. By the end of 1982, all the funds had been allocated to 8 countries to finance the purchase of 2.5 million tons of U.S. corn, wheat, soybean meal, vegetable oil, and cotton.

As part of the agricultural appropriations Act for fiscal year 1983, Congress directed that not more than $500 million to be used for CCC direct export credits.

On January 11, 1983, President Reagan announced the use of an additional $250 million in interest-free direct credits to be blended with credit guarantees to finance at least $1.25 billion in blended credit export sales.

In addition, on January 17, 1983, Egypt signed an agreement with the United States to buy 1 million metric tons of U.S. wheat flour over the next 12 to 14 months. The Department of Agriculture is providing enough CCC-owned wheat to enable U.S. suppliers to sell and deliver wheat flour at the agreed-upon price of $155 per metric ton. Credit guarantees will also be used. This action will utilize surplus U.S. wheat to meet the competition from subsidized French wheat flour sales to Egypt.

Apart from these targeted actions, the U.S. has continually sought to end unfair foreign trade practices through the prescribed procedures of international law, and specifically through the processes provided for under the General Agreement on Tariffs and Trade.

The General Agreement of Tariffs and Trade (GATT), a multilateral treaty with 88 signatory nations, including the United States and the 10 member nations of the EEC, establishes recognized guidelines for fair trade and disputes settlement procedures among nations engaged in international trade. The GATT first went into effect in 1948. In addition to the signatory nations, the GATT is presently applied on a de facto basis by 30 other countries.

Today, the GATT is interpreted and clarified through various codes developed in multilateral trade negotiations conducted within the general GATT framework. Beginning with the signing of the Tokyo Declaration in September 1973 extensive negotiations, referred to as the Tokyo Round of multilateral trade negotiations, were conducted. The Tokyo Declaration grew out of the efforts of a number of countries seeking to reduce the growing practice of many countries to adopt nontariff measures as barriers to international trade. In addition, it was felt by many that the discipline of the GATT rules and adherence to them by the contracting parties had become seriously deficient.

United States participation in the Tokyo Round of multilateral trade negotiations was authorized by the Trade Act of 1974. In addition to the need to reduce tariff and nontariff trade barriers, changes in the basic procedures under the GATT were seen as major U.S. objectives for the negotiations.

The Tokyo Round negotiations, which extended from 1973 to 1979, led to the adoption of the Code on Subsidies and Countervailing Duties, formally known as the Agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the GATT, agreed to by the United States and 17 other nations.

The Subsidies Code clarifies and develops existing provisions already found in the GATT. It aims to ensure that the use of subsidies by any signatory does not harm the trading interests of another, and that countervailing measures do not unjustifiably impede international trade. For this purpose, the Subsidies Code establishes an agreed framework of rights and obligations covering these measures, and a mechanism for international surveillance and dispute settlement. It also provides for consideration of the particular situation of developing countries. The Subsidies Code was implemented in the United States by the Trade Agreements Act of 1979, and went into force on January 1, 1980.

Key provisions of the Subsidies Code provide that export subsidies on nonprimary products and primary mineral products are strictly prohibited. Export subsidies on other primary products (generally farm, forest, or fishery products) may be permissible if the subsidy does not result in material price undercutting or in the exporting country's gaining more than an equitable share of the world trade in the commodity being subsidized. Although Article X of the Subsidies Code attempts to define these standards, the definitions are not specific and have been subject to various interpretations by different countries in order to justify their own subsidy practices.

Domestic subsidies are not prohibited by the Subsidies Code; rather, it provides guidelines to assist the subsidizing nation in preventing the subsidy from having an adverse effect on the international trade interests of other signatories or causing or threatening to cause "serious prejudice" against competitors' products. In situations where an export subsidy has resulted in displacing exports from other sources or where a domestic subsidy has resulted in import substitution in the domestic market or displacement of a product in the complaining country, the Subsidies Code provides a procedure for resolution.

Overall, the GATT encourages nations to resolve their differences on trade policy through bilateral negotiations and provides guidelines and standards for the conduct of trade. The GATT also provides as more formal dispute settlement procedure for the resolution of issues that cannot be settled through negotiations. The United States has actively pursued both alternatives in an effort to deal with the export subsidies of competitor nations that have seriously eroded many traditional markets for U.S. agricultural products. For various reasons, including interminable delays, disparate interpretations of the meaning of the GATT requirements, and weaknesses in the GATT procedures which fail to protect the economic and commercial interests of the United States, the efforts of the United States to resolve these problems have yet to provide any satisfaction to U.S farmers.

The formal dispute settlement procedure was implemented into law in section 301 of the Trade Act of 1974. These procedures were substantially amended by the Trade Agreements Act of 1979. Section 301, as thus amended, impowers the President to take all appropriate and feasible action to eliminate unfair trade practices if such action is needed to enforce the rights of the United States under any trade agreement or to respond to any action by a foreign country which is unjustifiable, unreasonable, or discriminatory and burdens or restricts U.S. commerce. In short, it provides the legal mechanism to challenge unfair foreign trade practices such as export subsidies that are inconsistent with the Subsidies Code standards.

Action under section 301 may be initiated by the President or by a petition filed with the United States Trade Representative by an interested party. Various procedures are required after the filing of a petition, including an investigation by the USTR and requirements for public comment. If the petition is found to be meritorious, consultations with the foreign country involved must be requested.

A specific internal U.S. timetable is set forth in the Trade Agreements Act of 1979 under which the USTR is required to make a recommendation on the case to the President: within 7 months after the investigation's initiation if it concerns an export subsidy covered by the Subsidies Code; within 8 months if the case concerns a code-covered subsidy other than one on exports; within 30 days following the conclusion of the dispute settlement procedure involving unfair trade practices addressed in other GATT Codes; and, within 12 months in cases involving unfair trade practices not covered by any of the 1979 agreements or engaged in by a nonsignatory of the relevant agreement.

If consultations or other measures fail, section 301 authorizes unilateral U.S. action, USTR may request advice on the case from other private sector representatives and may ask the U.S. International Trade Commission for an assessment of the impact that U.S. retaliation would have on the U.S. economy. The President must determine what action is to be taken, if any, within 21 days of receiving USTR's recommendation.

As of March 1983, there were 6 section 301 cases dealing with agricultural products pending before USTR. The products involved are wheat flour, citrus, sugar, poultry, canned fruit and raisins, and pasta. The progress of these cases demonstrates the inadequacy of the dispute settlement process.

The oldest of these cases involves wheat flour. The petition in this case was filed in December 1975. Seven years and 2 months later, the GATT panel which was reviewing the case essentially concluded that although sales of EEC subsidized wheat flour had adversely affected U.S. sales, these practices were not in violation of the Subsidies Code requirements.

The GATT panel's report, which is nonbinding recommendation to the GATT Subsidies Code Committee, was critical of the dominant share of the wheat flour market gained by the EEC through use of export subsidies. However, the panel failed to conclude that these subsidies have gotten the EEC an "inequitable share" of the makret which would place the EEC in violation of the Code. After years in the process, the panel failed to shed any light on the meaning of the principal Code requirement defining improper subsidies. American agricultural interests were displeased by both the outcome and the delay in arriving at a decision. Decisions on the other section 301 cases are still pending.

Periodically under the GATT mechanism, the trade ministers of the signatory nations convene in multilateral sessions. The most recent ministerial meeting occurred in Geneva in November 1982. This was the first such meeting in almost 10 years, and, unfortunately, did not produce the much-needed progress sought by the United States as necessary to end predatory export practices.

Senator Helms and other Members of Congress participating in the Ministerial Conference expressed in great detail, to other nations participating, the concerns of U.S. agriculture and the need to begin a "work program" designed to end predatory export subsidies. These U.S. efforts to negotiate solutions to serious trade problems were publicly rebuffed by the members of the EEC. This occurred despite the fact that many other nations recognize the need for discussions and the fact that privately some EEC members agree that negotiations are essential. Instead of agreeing to a work program a very general communique was adopted at the conclusion of the meeting, and even that was repudiated by Sir Roy Denman, head of the EEC.

The Committee conducted a hearing in December 1982 to hear the reports from the GATT Ministerial, and to assess the outcome. Several Members of Congress who attended the ministerial meeting stated that, if export-subsidizing nations were unwilling to change their unfair practices, then the United States has no choice but to stand up for American interests in a more forceful way.

The Committee believes that, if the dispute settlement procedures will not provide effective relief and if the GATT requirements are to be interpreted as justifying the export subsidy practices of the EEC, then the United States cannot continue to follow idealistic interpretations of these requirements while the export markets for U.S. agricultural products continue to be eroded by our trading partners.

EXPORT SALE OF DAIRY PRODUCTS

The Committee adopted a provision from S. 251 which would mandate the sale for the export of at least 150,000 metric tons of dairy products owned by the Commodity Credit Corporation during each of the fiscal years 1983, 1984, and 1985. These sales are to be made at prices not less than the minimum prices established in the International Dairy Arrangement.

Few industries have been so effectively shut out of the world market because of other countries' subsidies as has the American dairy industry. Although our dairy industry is the largest in the free world, the United States is not a major factor in the international market for dairy products. Our absence from this market has much to do with our failure to compete for an equitable share of the world market on an equal basis with other exporting nations, primarily those of the European Economic Community.

Through the use of export subsidies, the Community has taken a share of the world market well out of proportion to their overall share of world production. Even though U.S. price supports are at levels comparable to the EEC ($13.10 per cwt vs. $12.81, respectively) and U.S. production is nearly 50 percent of the total production of the member nations of the EEC combined, our share of the world market is but one-sixth of the share held by the EEC.

The following table shows world dairy trade in 1982:

1982 WORLD DAIRY TRADE

[In thousands of metric tons]

	Cheese		Butter		Nonfat dry milk	
	Production	Exports	Production	Exports	Production	Exports
Production and export trade by product:						
European Community	3,540	375	1,974	332	2,086	456
New Zealand	111	81	247	200	195	135
United States	2,009	11	585	78	645	120
Australia	141	56	76	8	80	47
U.S.S.R	665	9	1,360	10	345	....
Other	2,199	314	1,832	82	1,022	149
Total	8,621	846	6,074	710	4,373	907

	Cheese, butter, nonfat dry milk	
	Production	Exports
Total production and export trade:		
European Community	7,600	1,163
New Zealand	553	416
United States	3,239	209
Australia	297	111
U.S.S.R.	2,370	19
Other	5,009	545
Total	19,068	2,463

Source: USDA.

In order to gain a more equitable share of the world dairy market, Congress has previously encouraged the Secretary of Agriculture to sell surplus dairy products held by the Commodity Credit Corporation on the world market. Specifically, as part of the Agriculture and Food Act of 1981, this Committee adopted a proposal by Senator Melcher directing that the Secretary of Agriculture use existing authorities "to the fullest extent practicable" to make sales of Commodity Credit Corporation held dairy products in international markets. A similar directive appeared in the fiscal year 1983 agriculture appropriations Act and, in the closing days of the 97th Congress, the Senate approved a resolution offered by Senator Boschwitz again urging that action be taken to move dairy products acquired by the Commodity Credit Corporation into foreign trade channels.

In spite of these directives, the Department of Agriculture sold only a nominal amount of Commodity Credit Corporation-owned dairy products on the world market. Sales amounted to 50,416 tons in 1980, 62,000 tons in 1981, and 146,000 tons in 1982.

In light of this response to congressional directives, the Committee agreed to mandate the sale of a reasonable minimum amount of dairy products annually for fiscal years 1983, 1984, and 1985. Although concerns were voiced about the ability of the world market to bear the additional influx of dairy products, the 150,000 metric tons mandated by the Committee is but 6.3 percent of last year's total international trade in butter, cheese, and nonfat dry milk, excluding intra-EEC trade. Moreover, the Department nearly reached this target last year without significant disruption of the world market.

The Committee heard testimony from representatives of the dairy industry who indicated that domestic dairy firms frequently receive inquiries for quotations for specific types and kinds of dairy products for export purposes. George Atkinson of the Associated Milk Producers, Inc., testified that his firm has actually received firm offers from commercial traders for specific quantities of surplus dairy products at world prices and has presented these offers to the Department of Agriculture "without success."

Concerns were also raised about meeting our obligations under GATT. However, the Committee heard testimony from Secretary of Agriculture John Block who indicated that he saw no problem with dairy sales in this regard, "as long as we were selling dairy products at competitive world prices." Much depends on the quantity to be sold and how systematically the sales are made, he suggested. Ambassador David Macdonald, Deputy United States Trade Representative, testified that he thought "the sale would not concern any violation of our obligations under GATT, even though it is subsidized."

Furthermore, current world prices are well above GATT minimums, and the Department of Agriculture has come close to selling this amount of product in the past without any allegation of possible GATT violations. The following table compares minimum prices under the International Dairy Arrangement and current world prices:

	Per metric ton (dollars)	
	IDA minimums	Current world prices
Butter	1,200	2,000
Cheese	1,000	1,400–1,800
Nonfat dry milk	600	800–850

Source: Congressional Research Service.

By mandating the sale of dairy products, it is the Committee's intent to indicate the seriousness of its concern about the predatory trade practices employed by nations such as those within the European Economic Community. With respect to dairy product trade, other countries must take our concerns, and our resolve to have a fair opportunity for U.S. products to compete in world markets, seriously. Whether this is being done, is questionable. For example, the EEC continues to encourage increased milk production—most recently demonstrated by their 10.5 percent increase in price supports last spring—despite the fact that the EEC has a serious domestic dairy overproduction problem. Large amounts of these surpluses are then dumped on the world market through the use of export subsidies.

The dairy product sale provision is one of the few mandated items in this legislation. Enactment of this provision will ensure that firm action is taken by the Administration that will demonstrate our resolve on the issue of predatory trade practices. For these reasons, the Committee believes that mandated dairy product sales is an essential element to be included in any effective agricultural trade legislation.

Testimony before the Committee indicated that U.S. farmers want to see Congress show this resolve. The first day of hearings on agricultural trade legislation featured a number of witnesses representing a cross section of U.S. agriculture. Each witness was asked if the proposed actions, including mandated dairy product sales, were worth the risk of possible retaliation by other nations that may be involved, and the Committee received only positive responses.

The export sale of dairy products will also promote a solid basis for the development of new overseas markets for U.S. dairy products, as well as other products. Because of our general unwillingness to sell surplus dairy products overseas, the United States' share of international trade in butter, cheese, and nonfat dry milk is only 8 percent. This compares to a nearly 50 percent share for the EEC. Increased sales of Commodity Credit Corporation dairy products will begin to establish a more adequate share of this trade for American dairy products, with the realistic prospect that new and long-lasting markets for our dairy production may be developed.

The Congressional Budget Office estimates that this provision will result in a net savings to the Commodity Credit Corporation of $225 million in each of the fiscal years 1983, 1984, and 1985. Even if one-half of these savings is allocated for further export assistance as provided in the bill, the savings to the Government would still be over $336 million for the 3 fiscal years. This is in addition to the savings which will come about due to reduced storage costs.

As of March 1, 1983, the Commodity Credit Corporation held 584,000 tons of nonfat dry milk, 338,000 tons of cheese, and 192,000 tons of butter. This current dairy product surplus is 138 percent above CCC's stock levels for 1980 and 46 percent above the stock levels for 1981. Furthermore, the near-term outlook is for the surplus to continue to grow. It is imperative that these large surpluses be reduced.

The consequence of not selling part of our surplus dairy stocks on the world market is increased costs in terms of storage, interest, and deterioration in quality of the products.

The Committee expects that the Secretary of Agriculture, in making the sales provided for in the bill, will use care to minimize the impact of the sales on countries such as New Zealand that have historically encouraged free and fair trade in the world market place.

AGRICULTURAL EXPORT PROMOTION

The Committee bill contains several provisions designed to equalize the price and credit subsidies of other countries so that U.S. farmers can compete on a fair and equitable basis with their counterparts overseas. To accomplish this, the bill provides funds for export assistance for U.S. agricultural commodities and products thereof and targets the use of part of those funds to specific commodities.

Under the bill an amount equal to one-half of the proceeds obtained from the mandatory sale of dairy products (discussed previously) would be used for assistance in promoting U.S. agricultural exports in each of fiscal years 1983, 1984, and 1985. Both agricultural commodities and products would be eligible to receive this export assistance.

For example, the funds could be used for expansion of the blended credit program currently being conducted by the Department of Agriculture. That program has been quite successful thus far in increasing U.S. agricultural export sales.

The funds could also be used for export assistance for such agricultural products as wheat flour, poultry, eggs, raisins, and other products that have been and continue to be confronted with predatory export subsidies by other nations. U.S. sales of these commodities in overseas markets have declined in large part because foreign suppliers have underbid U.S. export prices with the aid of export subsidies.

In addition, the bill requires the Secretary of Agriculture to use $90 million of funds of the Commodity Credit Corporation for export assistance for value-added or high-value products in fiscal year 1983.

During the decade of the 1970's, a distinct world market developed for value-added and high-value agricultural products. However, the U.S. share of this market is far below the level that one would expect.

While the bill does not attempt to define value-added or high-value products, value-added products are generally those that have been increased in value through some form of processing. These would include such products as wheat flour, wet corn milling products, soybean oil, poultry, beef, and similar items. High-value products are those that are inherently high in value but are unprocessed, such as fruits, vegetables, eggs, and the like. Many value-added products should be considered primary products in terms of the Subsidies Code because they only undergo such processing as is customarily required to prepare them for marketing in substantial volume in international trade.

In encouraging exports of these products, the entire agricultural industry in the United States is benefitted. Hearings were conducted on September 21, 1982, by the Subcommittee on Foreign Agricultural Policy regarding the benefits of value-added exports. According to Department of Agriculture testimony, the use of extensive export subsidies by other countries seem to be primarily focused on value-added or high-value products.

Export assistance for value-added and high-value products will counter the subsidies of other nations and provide benefits to the entire United States. The processing industries create new uses for farm commodities. In addition, each $1 billion in sales of such products generates from 35,000 to 45,000 jobs in the processing, transportation, and distribution industries.

The Committee believes that a portion of the funds designated for export assistance in fiscal year 1983 should be targeted to specific U.S. commodities. The Committee bill provides at least $20 million for assistance for poultry and egg exports, $15 million for raisins, and $5 million for canned fruit.

During full Committee hearings on February 17 regarding trade issues, representatives of the poultry, egg, raisin, and canned fruit industries presented testimony that they have lost important markets as a result of foreign subsidies.

The U.S. poultry industry has been successful in building export markets during the past decade. Exports of poultry meat reached nearly 400,000 metric tons in 1981—over 2½ times the yearly average of 1974 through 1978. Shell egg exports reached 93 million dozen as compared with an average of 20 million in the 1974–78 period. Egg products shipments of 34,500 metric tons in 1981 compared with 6,380 tons in the earlier period. However, this progress has been stopped and reversed by the subsidy policies of some foreign governments.

Poultry industry spokesmen stated at the Committee hearings that exports of U.S. broilers fell 71 percent in 1982, shell egg volume dropped 30 percent, and egg products were off 45 percent. This was due in large measure to export subsidies paid by the EEC and Brazil.

From 1981 to 1983, exports of whole chickens from the United States fell by two-thirds, while exports from Brazil and the EEC continually increased. During 1982, French and Dutch egg exports to the Middle East were up 29 percent, while U.S. exports were down 33 percent.

The extent of subsidy practices by the European Economic Community and Brazil are detailed in an earlier part of the report. In the case of the ECC, direct subsidy payments to EEC broiler exporters totaled nearly $41 million in 1981. This was on top of about $371 million in exports of whole chickens from the EEC to non-EEC nations. EEC egg exports also received a subsidy of about 11 cents per dozen. In 1982 alone, the EEC export subsidy for poultry was increased four times, rising by 52 percent.

Through the use of these export subsidies, the EEC has gone from the world's largest importer of poultry and eggs during the 1960's, to the world's largest exporter today.

While the Department of Agriculture indicates that Brazilian poultry subsidies are much harder to pinpoint, it is estimated that the subsidized credit to Brazilian exporters amounts to at least $125 per metric ton. Based on this, the subsidy to Brazilian poultry exporters amounted to about $37 million in 1981. This is in addition to export broiler earnings of $354 million in 1981.

The Brazilian poultry industry has expanded so rapidly that it is second only to the United States in total broiler output. Production has risen six-fold from 1971—hitting 1.5 million tons in 1982. Broiler exports have grown from 81,000 metric tons in 1979 to

330,000 tons in 1982. Brazilian broiler exports have gone from just 3 percent of production in 1976 to 20 percent in 1982.

At the Committee hearings, spokesmen for the raisin and canned fruit industries described "massive and illegal subsidization" by the European Economic Community. The EEC established a subsidy system to aid its processors of certain fruit and vegetables in 1978. After consultations with the United States on this question in 1978, the EEC chose to ignore U.S. urgings of moderation in the levels of the subsidies and raised the initial subsidies to levels even higher than those protested. Subsequent efforts by the United States to restrain the growth of the system, both in terms of the levels of subsidies and the number of products added, have been unsuccessful. Raisins were added to the program as a result of Greek asscession to the EEC in 1981.

Tariff reductions granted by the EEC on canned fruit and raisins were given as part of a balance of concessions, and the EEC subsidies on those products have clearly upset that balance. The EEC measures have completely distorted the competitive conditions in the EEC market, to the disadvantage of imports.

Although it may take several years for U.S. agriculture to feel the full effect of EEC domestic subsidies, their adverse effect is already apparent and threatens to grow much more severe if no change is made. Among the effects already evident are declining imports of these products by the EEC from the U.S. and other non-EEC suppliers; increased production of these products within the EEC; and increased EEC self-sufficiency as a result of subsidization.

The following table shows the decline in exports of canned fruit and raisins to the EEC:

U.S. exports to the EEC (metric tons)

Canned peaches:	
July 1980 to June, 1981	11,615
July 1981 to June 1982	2,647
Percent decrease	77
Canned fruit mixtures:	
July 1980 to June 1981	9,900
July 1981 to June 1982	5,611
Percent decrease	43
Raisins:	
September 1980 to August 1981	16,195
September 1981 to August 1982	10,684
Percent decrease	34

Source: United States Department of Agriculture.

As a result of EEC practices, sales by other foreign canned fruit producers are being displaced, competition in third country markets has intensified, and the United States' total world exports of these products has fallen. Action is needed to strengthen U.S. exports of these products.

The Committee bill provides that when export credit subsidies would not be effective to equalize price and credit subsidies of another country in connection with a particular commodity or product, then price subsidies are to be used. Witnesses at the hearing stated that there were cases where credit subsidies would not achieve the needed objective. For commodities where credit is not a major trading factor or which are not typically sold on credit, the assistance will be needed in the form of direct price subsidies to be effective.

EXPORT PAYMENT-IN-KIND PROGRAM

An export payment-in-kind, or "PIK" program, is authorized by the bill. This type of program will complement the domestic PIK program which the administration announced on January 11, 1983.

The basic objective of the export PIK program is to aid the Secretary of Agriculture in promoting and increasing exports of U.S. agricultural commodities and products in order to reduce Government stocks, reduce Government outlays under domestic price support programs, and improve returns to farmers.

Under the bill, the Secretary of Agriculture would be specifically authorized to provide commodities or products acquired by the Commodity Credit Corporation to U.S. exporters and users and foreign purchasers to encourage the development, maintenance, and expansion of markets for U.S. agricultural commodities and products. The commodities that could be made available include wheat, feed grains, upland cotton, and rice, and their products, and any other agricultural commodities or products acquired by the Commodity Credit Corporation. These commodities or products would be provided at no cost.

Under this provision, the Commodity Credit Corporation could provide commodities held by the CCC to foreign purchasers as an incentive to foreign customers to purchase additional U.S. commodities above the level of normal marketings. For example, if a foreign purchaser that normally purchases a given quantity of a specific commodity agrees to purchase additional quantities, then an amount equal to some portion of the additional purchases could be provided at no cost to the foreign importer. In addition, it is contemplated that the Secretary could provide commodities or products even though purchases are less than normal marketings in cases where providing such commodities would contribute to maintaining or expanding U.S. markets.

Providing CCC agricultural commodities could also serve to reduce the overall cost of U.S. commodities to foreign purchasers and thereby increase the competitiveness of U.S. products. An example of such use would be to provide commodities to offset the use of export subsidies by competing exporting nations.

The bill calls for the Secretary to take positive steps to improve exports of U.S. commodities. This means price adjustments in some areas to make Government stocks available at competitive prices in foreign markets. In taking this action, the Committee does not want to enlarge the problem that cotton now faces, and perhaps other commodities will face, because of foreign-made products of the commodity coming back into the United States. Accordingly, the bill provides that the program is to be carried out in a manner that gives equal treatment to domestic users of the U.S. agricultural commodity. In the ase of cotton this would be the processor, manufacturer, or other user who opens the bale of raw cotton. With domestic users now adversely affected by imports of cotton products, any action taken by the Secretary under this provision with respect to exports is to be accompanied by comparable action for domestic users.

One obvious way to ensure equal treatment for domestic users is to provide, to domestic users, surplus commodities which in turn can be converted into value-added products for export. Such a method is of value to the producers of the commodity as well as to the user who converts it into the value-added manufactured product.

Other safeguards are also included in the bill. Commodity Credit Corporation stocks of agricultural commodities and products that are provided under this authority are to be used in such a manner as to encourage increased use either in the United States or in a foreign country and to avoid displacing usual marketings of U.S. agricultural commodities or products.

In additon, the Secretary is required to take reasonable care to prevent the resale or transshipment to other nations of the agricultural commodities and products provided under this program and to prevent the use for other than domestic use in the destination country of such commodities and products.

If a program is carried out, the Secretary is directed to provide all interested foreign purchasers an opportunity to participate. However, priority is to be given to those foreign purchasers who have been traditional buyers of U.S. agricultural commodites and products, and who continue to purchase such commodities and products on an annual basis in quantities larger than the level of purchases over a previous representative period.

In order to encourage increased consumption and storage of U.S. agricultural commodities and products in foreign nations, the bill authorizes the Secretary to provide supplemental amounts of CCC commodities and products to foreign purchasers who use the proceeds from the sale of such commodities or products for the construction or rehabilitation of facilities in the importing country to improve the importing country's capability to handle, market, process, store, or distribute U.S. agricultural commodities or products. This provision will assist in improving long-term markets for U.S. commodities and products. The development of improved ports, roads, and other facilities should encourage more efficient and increased utilization of U.S. products in importing countries.

The bill provides that up to 1.5 million metric tons of wheat may be borrowed from the food security wheat reserve during fiscal years 1983 and 1984 for market development through the export PIK program. Any wheat used must be replaced before October 1, 1984. The National Association of Wheat Growers testified in support of this provision.

The food security wheat reserve was established under the Food Security Wheat Reserve Act of 1980. That Act required the President to establish a reserve stock of wheat of up to 4 million metric tons, to be used to meet emergency humanitarian needs overseas. If wheat is taken from the reserve, the Secretary of Agriculture may replace it either by purchasing wheat on the open market, or by designating wheat stocks already owned by CCC for the reserve. Any use of funds to replenish the reserve through purchases must be authorized in appropriation Acts. Authority to replenish the reserve ends on September 30, 1985.

Wheat for the reserve was originally earmarked from the 4 million tons of wheat acquired by CCC after the grain embargo imposed by President Carter in 1980.

The food security wheat reserve could be a valuable source of wheat for market development purposes. Stocks of wheat in the farmer-owned reserve are high. However, title to this grain remains with farmers, and it is not readily available to the CCC for an export PIK program. Since free stocks of wheat and CCC-owned wheat inventories are limited, the Committee believes that the food security wheat reserve can be tapped as a short-term source of commodities for these programs.

MARKET DEVELOPMENT PROGRAMS

The Committee believes that the market development programs of the Foreign Agricultural Service are a good investment for U.S. agriculture, and that funding for these programs should at least keep pace with the inflation of the last decade.

Therefore, the Committee bill expresses the sense of Congress that the Secretary of Agriculture should fund the market development and cooperator programs of the Foreign Agricultural Service at the same or a greater real level as in fiscal year 1971 and the Secretary should fund an export market development program for value-added and processed agricultural products at higher levels than during fiscal year 1983.

The objective of the Foreign Agricultural Service market development program is the promotion of U.S. agricultural commodities in foreign markets, through cooperatively financed efforts involving the U.S. Government, private industry, and farmers themselves.

Direct expenditure of Government funds in the market development effort since the program's inception has averaged nearly $10.3 million a year. In fiscal year 1982, program expenditures for foreign market development were approximately $75.8 million—of which the U.S. Government funded $21.5 million. The non-Government portion was provided by private domestic and foreign organizations whose contributions in this joint effort have for the last 10 years exceeded those of the Government by a two-to-one ratio.

Under this program, which began in 1955, the Foreign Agricultural Service currently has funding agreements with 55 nonprofit trade associations (cooperators) which are largely comprised of producer-based farm groups. Such organizations as the U.S. Wheat Associates, Poultry and Egg Institute of America, National Forest Products Association, American Soybean Association, National Peanut Council, Cotton Council International, and the U.S. Feed Grains Council have an outstanding record of collecting and disseminating market information, and providing technical servicing to importers.

Activities of these groups are tailored to the needs and market opportunities in the importing countries. Their activities may include operation of model bakery, livestock feeding trials in protein-deficient countries, sponsorship of foreign trade team visits to U.S. farms and agribusiness industries, and actual demonstrations of product uses in overseas markets. An increasing emphasis is being placed on trade-servicing activities, rather than on the more costly direct consumer promotions. In 1983, cooperators will carry out approximately 2,400 such activities.

The Foreign Agricultural Service also carries out market promotion activities for commodities not represented by a specific cooperator group. In addition, the Foreign Agricultural Service offers the Export Incentive Programs which assist private firms by underwriting a portion of the risk in introducing the firm's branded products into foreign markets. The Foreign Agricultural Service also has market development agreements with the National Association of State Departments of Agriculture and four regional State organizations. Export trade services are provided for individual firms in the form of exhibits, trade referrals, and informational bulletins.

Title IV of the Agricultural Trade Act of 1978 provided for the establishment of between 6 and 25 U.S. agricultural trade offices in foreign countries. The Department of Agriculture opened its first trade office in London, England, in May 1978. Since then, offices have been opened at the following locations for the specified trade areas: Manama, Bahrain, for the Persian Gulf; Hamburg, for West Germany; Singapore, for Southeast Asia; Seoul, for Korea; Warsaw, Poland, for Eastern Europe; Caracas, Venezuela, for the Southern Caribbean and Northern South America; Beijing, for the People's Republic of China; Tunis, Tunisia, for North Africa; Lagos, Nigeria, for West Africa; and Judda, for Saudi Arabia.

These 11 trade offices provide valuable marketing support in connection with U.S. agricultural exports, and the Committee believes that at least 4 more trade offices should be established to encourage such exports.

The Agricultural Export Credit Revolving Fund could be a valuable tool for ensuring continued financing of agricultural exports. Specific authority for such a fund was included in the Agriculture and Food Act of 1981. However, no money has been appropriated to implement the fund.

The Committee believes that $1 billion in seed money for the revolving fund would be a substantial and valuable boost for farm exports.

EXPANDED AUTHORITY TO DONATE CCC COMMODITIES ABROAD

Currently, section 416 of the Agricultural Act of 1949 provides the Secretary of Agriculture with authority to donate surplus dairy products to needy person in foreign countries. The Committee bill extends the authority for dairy donations under section 416 to include any of the agricultural commodities and products acquired by the Commodity Credit Corporation. The commodities or products would be donated through foreign governments and public and private nonprofit humanitarian organizations for the assistance of needy persons outside the United States.

In addition, under current law, the CCC is authorized to pay transportation, reprocessing, packaging, and similar costs associated with such donations. The Committee bill also expands this authority by permitting the recipient of such donations to use them for barter, or sale, for the benefit of needy people. Any services or proceeds received by the recipient organizations for commodities bartered or sold must be used only to assist needy people, and cannot be used by such organizations to pay their own operating and overhead expenses.

The great suffering in this world caused by the lack of available food cannot be ignored. by one estimate, there are more than 500 million people who are now suffering from an insufficient supply of food. Each year, about 15 million children die from malnutrition and related ailments.

The expansion of section 416 authority provided for in this legislation will facilitate the use of our surplus commodities in the battle against world hunger by both increasing the quantity of commodities and products which are available for donation and allowing organizaitons to barter or sell some of the commodities they receive to facilitate distribution.

Wallace J. Campbell, President of CARE, indicated in testimony before the Committee that his organization supports this amendment which would make both dairy and nondairy surplus commodities available and would simultaneously give the additional flexibility needed to use these commodities most effectively. With this additional flexibility, Mr. Campbell suggested, the Department of Agriculture could approve plans submitted months ago by CARE for a project in the Philippines.

E. Morgan Williams, President and Chief Executive Officer of the Cooperative League of the USA, also encouraged the Committee to ensure that provision is made under section 416 to permit the barter and sale, as well as the direct distribution, of donated commodities. He gave an example of how the Cooperative League could specifically use this expanded authority in carrying out a program in India. The Indian Dairy Corporation would like to expand its development of urban dairies. The dairy products provided under this authority could be sold by the Corporation to establish a revolving fund which would be used for establishing both the urban dairy facilities and cooperative structures to involve local diary producers.

It was also noted in testimony that the expanded section 416 authority would complement Public Law 480 title II programs. Mr. Campbell indicated how the new authorities could be used to facilitate the expansion of donations both into new countries and regions as well as within existing programs. Specifically, he suggested that benefits could be extended to certain categories of recipients, such as orphans, the elderly, and the infirm, groups which receive little or no benefits under Public Law 480 title II programs.

To prevent donations under section 416 authority conflicting with other programs such as Public Law 480, this provision also requires the Secretary of Agriculture to ensure that such donations complement, and are coordinated with, other United States foreign assistance programs.

PUBLIC LAW 480

Use of additional Commodity Credit Corporation stocks

In order to provide greater authority to expand agricultural exports and provide food aid to the world's hungry, the Committee bill authorizes the Secretary of Agriculture to provide agricultural commodities and products acquired by the Commodity Credit Corporation to increase the level of agricultural exports under titles I, II, and III of Public Law 480. Use of these stocks would be in addition to the level of assistance programmed under that law.

Public Law 480 programs support the economic, humanitarian, and foreign policy objectives of the United States by providing assistance to alleviate hunger and malnutrition, by promoting economic progress within developing countries, and by expanding international trade and developing markets for U.S. agricultural commodities.

Title I of Public Law 480 provides for concessional sales of agricultural commodities to friendly countries. Agreements under title I may provide for either dollar credit with up to a 20-year repayment period or convertible local currency credit with up to a 40-year repayment period. The grace period for dollar credit agreements can be as long as 2 years and convertible local currency agreements may be as long as 10 years. Specific downpayments in dollars may be required under both types of agreements. Minimum interest rates under both types of financing are set by law 2 percent during the grace period and 3 percent thereafter. The terms of the sales agreements are determined on a case-by-case basis.

Although the Commodity Credit Corporation finances the sale and export of commodities under title I, actual sales are made by private U.S. suppliers to foreign importers, government agencies, or private trade entities. The Commodity Credit Corporation finances sales by paying suppliers directly through the U.S. banking system for the portion of their sale not covered by the required downpayment. The Commodity Cordit Corporation then collects the amount provided for in the agreement from the importing country in accordance with the specified repayment provisions.

The title II food donation program aims to alleviate hunger and malnutrition of people in the poorest countries of the world. Women, infants, preschool children in maternal child and day-care centers, older children in school feeding programs, and adults in food for work projects are priority recipients of title II food aid. Administered jointly by the Department of Agriculture and the Agency for International Development, title II activities are carried out by three types of operating agencies: (1) nonprofit U.S. voluntary agencies, (2) intergovernmental organizations, and (3) recipient governments. Voluntary agencies serving as cooperating sponsors include Catholic Relief Services, Cooperative for American Relief Everywhere, Church World Service, Lutheran World Relief, American Joint Distribution Committee, Seventh Day Adventist World Service, and the Cooperative League of the USA. Intergovernmental organizations are the World Food Program and United Nations International Children's Emergency Fund.

The International Development and Food Assistance Act of 1977 added new title III provisions to Public Law 480 establishing a food-for-development program. This program gives special emphasis to improving the access of poor people to food and enhancing in other ways the quality of their lives. Its overall goal is to increase the access of the poor in the recipient country to a growing and improving food supply through activities designed to improve the production, protection, and utilization of food, and to increase the well-being of the poor in the rural sector of the recipient country.

Title III offers recipient countries two special provisions. The first stipulates that the funds generated through the local sale of Public Law 480 title I commodities be used to support programs of agricultural development, rural development, nutrition, health services, or population planning. The title I repayment obligation to the Commodity Credit Corporation is forgiven if it is determined that the local currencies or the commodities themselves have been used in support of those programs. The second special provision offers multiyear commitments of up to 5 years, provided commodities are available for programming through Public Law 480 and the recipient country has made progress under the agreed upon development plan.

Title III requires that of the annual aggregate value of title I agreements, not less than 15 percent is to be under title III in fiscal year 1980 and each fiscal year thereafter. However, the President may waive the minimum requirement if he determines that there are an insufficient number of projects which qualify for this assistance and the reasons for the waiver are reported to Congress.

To qualify for assistance under the title III program, a country must (1) demonstrate a need for external resources to improve its food production, marketing, distribution, and storage systems; (2) meet the eligibility criteria of the International Development Association for development loans; (3) have the ability to use the resources made available through the sale of food commodities; and (4) undertake self-help measures to expand and improve production, storage, transportation, and distribution of agricultural commodities. As is the case for title I, no commodity will be shipped unless at the time of exportation adequate storage facilities are available to prevent spoilage and waste, and the commodities will not create a significant disincentive to domestic production in the recipient country.

The Committee recognizes the need to put Government-held surpluses to the best possible uses. Providing additional authority for the Secretary to allocate surplus Commodity Credit Corporation stocks to the Public Law 480 program can only make the program more effective in its goals of alleviating world hunger, promoting American foreign policy objectives, and developing future markets for U.S. agricultural products.

The Committee notes with interest the success the Public Law 480 program has already had in developing overseas markets. Korea provides just one example of how this has worked.

From 1956 through 1981, the United States provided a total of $1.6 billion worth of title I assistance to Korea. At the time it started receiving title I assistance, Korea was suffering serious economic disruption from prolonged war. Per capita income was about $100 annually, the agricultural and industrial sectors were very weak, and exports in the late 1950's totaled only about $20 million annually. Today annual per capita income is $1,500, and Korea has a highly developed rural and industrial sector, with annual exports amounting to over $18 billion.

In the beginning, Public Law 480 provided Korea with critically needed food imports (mainly wheat, rice, and corn) on highly concessional terms. This assistance helped conserve scarce foreign exchange needed for agricultural and industrial development, and provided critically needed local currency to support recovery efforts. AID and Public Law 480 assistance helped support programs in the rural sector to bring about significant improvements in transportation, rural electrification, extension services, and credit programs for farmers, and to increase rice production.

It is now apparent that the U.S. investment in Korea through the Public Law 480 program will bring many returns for U.S. farmers. With the help of this program over the years, Korea now has developed into a mature commercial market, and is our fifth most important customer of agricultural products. Contrasted to the $1.6 billion provided through Public Law 480 title I over nearly 25 years, Korea now purchases nearly $1.5 billion annually in United States commercial agricultural exports.

Processed and protein fortified products

The Committee bill includes a proposal by Senator Dixon requiring that in distributing agricultural commodities under title II of Public Law 480, the President shall consider the nutritional assistance to recipients and the benefits to the United States that would result from distributing these commodities in the form of processed and protein fortified products. The Committee bill also provides that in distributing title II commodities, the President is required to take all feasible steps to ensure that approximately 55 to 60 percent of the total actual tonnage of these commodities be processed and protein fortified products. In selecting commodities to meet this tonnage target, the President would be required to consider both the nutritional needs of the proposed recipients and the purposes of title II.

The inclusion of processed and fortified grain-based and dairy products is of special importance to title II programs. The use of such products in maternal and child health feeding programs, school lunch programs, and a variety of other nutritional and supplemental feeding activities considerably enhances the scope and application of such programs and helps to directly combat undernutrition and malnutrition.

In many feeding programs throughout the world, the United States is the only supplier of processed and protein fortified products. The importance of making such products available to these programs is critical in order to provide program managers with the opportunity to utilize the most appropriate food products for each program application.

The use of processed and protein fortified products in title II also benefits the economy of the United States, as employment is increased, additional tax revenues are collected, and wider use of U.S. transport facilities occurs. A recent Department of Agriculture report indicated that if a 10 percent increase in current raw exports of wheat, corn, and soybeans were shipped as processed products, the GNP would increase by nearly $16 billion, personal income would rise by $3 billion, and more than 300,000 new jobs would be created.

The current level of usage of processed and protein fortified commodities already falls within the targets prescribed in the Committee bill. Accordingly, in adopting a target level for the quantity of processed and protein fortified products to be included in the mix of commodities under title II, it is the Committee's intent that the current levels basically be maintained in the future. It is recognized, however, that processed and protein fortified products are more expensive than other commodities. For this reason, it is the Committee's intent that in selecting commodities for title II, the President should consider not only the need to include an adequate quantity of processed and protein fortified products but also the need to have a commodity mix that meets the needs of the greatest number of eligible recipients possible.

Voluntary agencies under titles II and III

The Committee recognizes the fine work and accomplishments of U.S. voluntary agencies in carrying out title II programs and the need for these agencies to have input into the planning and administration of the programs in order to maximize the assistance being provided. In light of this, the Committee adopted language to provide for the President, in using nonprofit voluntary agencies to distribute commodities under title II, to give consideration to any nutritional and developmental objectives established by those agencies in the planning and development of these programs.

The opportunity for voluntary agencies to bring information they have acquired about the program beneficiaries, including their analysis of nutritional and developmental needs of the beneficiaries, into the overall development of program decisions under title II, should contribute to a more effective operation of the program and the most efficient and effective use of the products provided by the United States under title II.

Food for Development Programs

The Food for Development Programs under title III are aimed at improving the access of poor people to food through activities designed to improve the production, protection, and utilization of food and to increase the well-being of the poor in the rural sector of the recipient country. Because of the expertise and experience American voluntary agencies and cooperatives have developed in food aid programs, the Committee agreed to require that the President give consideration to using the capability and expertise of these agencies in developing and carrying out Food for Development Programs.

Title III program level

Under current law, the aggregate value of all agreements entered into under title III must not be less than 15 percent of the total value of agreements entered into under title I, unless the President determines there are an insufficient number of projects which qualify under title III. Because of the value of title III programs in promoting rural development and the development of agriculture generally in recipient nations, the Committee agreed to raise the target level for title III from 15 percent to a range of 17 to 20 percent.

Famine-prone countries

The Committee is concerned about the severity of food shortages in famine-prone countries. In light of this, the Committee bill requires that title III agreements provide, to the extent feasible, that available commodities or the funds generated from the sale of such commodities be used at the farm and village level in famine-prone countries, especially those in sub-Saharan Africa, to establish rural projects that emphasize postharvest food conservation and provide for participation in the development and administration of such projects by a representative number of the intended project beneficiaries.

Furthermore, the Committee bill requires that any agreement entered into under this provision specify the measures to be taken to implement the specified requirements and to ensure that the commodities being provided or funds generated from the sale of such commodities will be used primarily to benefit the poor.

It is the intent of the Committee that in entering into title III agreements with famine-prone countries, the provisions of section 304 of the Committee bill are intended to direct attention to addressing needs at the farm and village level, such as postharvest conservation, in addition to considering the overall developmental objectives in recipient countries generally given priority under title III agreements. It is expected that in carrying out this provision the agency should develop additional guidelines consistent with existing agency policies.

CARGO PREFERENCE REQUIREMENTS

The Committee believes that cargo preference laws should not apply to the export payment-in-kind (PIK) and blended credit initiatives of the Commodity Credit Corporation.

The Merchant Marine Act of 1936, as amended, provides that 50 percent of the gross tonnage of certain Government-generated shipments of commodities must be transported on private U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. The stated purpose of the cargo preference requirement is to support the U.S. merchant marine industry for use in commerce and national defense.

At this juncture, the Committee does not take exception to the application of cargo preference provisions to Public Law 480 program shipments.

According to testimony at the Committee's hearing on February 25, and other information available to the Committee, the administrative decision to require 50 percent of the Egyptian wheat flour sale to be carried on U.S. flag vessels was inconsistent with the long-standing interpretation of the U.S. Government that the cargo preference laws only apply to transactions involving a substantial element of foreign aid or assistance. The "test" established by the Attorney General of the United States in 1963 to determine whether the cargo preference laws are applicable to credit transactions involving sales of surplus agricultural commodities owned by the Commodity Credit Corporation is whether the transaction is a normal commercial transaction or whether it involves some substantial element of foreign aid or assistance. (See 42 Op. A.G. No. 14, p. 12, Aug. 29, 1963.) Cargo preference applies only in the latter instance.

This "test" was reiterated and endorsed by the Department of Justice in a December 6, 1965, letter from Assistant Attorney General Norbert A. Schlei to Department of Agriculture General Counsel John C. Bagwell, and was endorsed by the Senate Committee on Commerce during the 88th Congress. (See S. Rept. No. 871, 88th Cong., 2nd Sess., pp. 5–6.)

Citing at length to the legislative history of the Cargo Preference Act, the Department of Justice pointed out in the 1965 letter to Mr. Bagwell that at every stage in the development of this legislation (the Cargo Preference Act) there was repeated emphasis on the point that the bill was directed against foreign aid "giveaways," and was not intended to have any effect whatever on commercial cargoes. Thus, while the cargo preference requirements have consistently been held to apply to concessional sales and humanitarian food donations under Public Law 480, cargo preference has not been applied to transactions under the Commodity Credit Corporation's Export Credit Sales Program.

The key distinction made by the Department of Justice is that concessional sales have the purpose of providing substantial assistance to a foreign economy, while the purpose of commercial sales is not foreign aid, but rather to dispose of the goods on the best possible terms and conditions.

Clearly, export PIK and blended credit programs fall into the latter category. The intent of these programs is not to provide foreign aid but to dispose of surplus goods at the best terms possible in certain markets against subsidized competition.

In addition, the Committee is concerned about the cost of cargo preference. This year, the Department of Agriculture will spend over $100 million in subsidies for U.S. flagships through Public Law 480. On average, U.S. flagships charged $52.57 per ton more than foreign flag vessels to carry exported commodities last year. That means a ship carrying 30,000 metric tons of commodities received a subsidy averaging $1.57 million from the U.S. Treasury for a one-time, one-way crossing.

The cost of cargo preference on the Egyptian wheat flour sale is approximately $30 million, about twice what it would cost if the flour was shipped in foreign bottoms. This "freight differential" must be paid by the Commodity Credit Corporation and ultimately by the U.S. taxpayer. The Committee bill would clarify that the cargo preference requirement would not apply to future export PIK or blended credit sales.

Although cargo preference is justified by proponents as necessary for commercial and military reasons, the cost of cargo preference is borne initially by the Department of Agriculture, not the Departments of Defense or Commerce, or the Maritime Administration. The Commodity Credit Corporation is required to pay this cost, at a time when CCC can least afford it. For fiscal year 1983, the Administration is proposing an urgent supplemental appropriation of $5.7

billion to keep CCC fully funded. Furthermore, rather than encouraging the development of improved U.S. vessels, the program encourages the continued use of semiobsolete and even unsafe vessels which are of little use for commercial or defense purposes.

The Committee is also aware of problems experienced by importing countries due to cargo preference requirements. For instance, Sri Lanka has tendered for wheat through Public Law 480 under protest. Their modern high-speed pneumatic unloading system works efficiently only with large bulk carriers. Many of the U.S. vessels offered to meet the cargo preference requirement have small, awkwardly-located compartments that slow the unloading operation and greatly increase the potential for damaging the equipment. There is concern that such experiences could reflect poorly on the United States as a grain exporter and turn Sri Lanka to other agricultural suppliers.

Export PIK and blended credit are new programs oriented toward increasing commercial sales, not concessional sales. The cargo preference law applies only where terms are concessional, rather than commercial, according to the Department of Justice.

The direct intent of export PIK and blended credit programs is to offer terms that are extremely competitive with subsidized competition. Application of cargo preference would neutralize the intended benefits of these programs. Thus, the attractiveness of the programs to foreign importers would be completely negated.

According to one witness, application of cargo preference would be an "effective death of the blended credit program."

By slightly lowering the interest rate, the blended credit program provided an effective price discount of only 3.4 percent, which equated to about $4.00 per metric ton of corn and $5.50 per metric ton of wheat, on the original blended credit sales. If the CCC is required to pay an ocean freight differential of $60 per metric ton, then its total cost for a blended credit corn sale would be $64 per metric ton. Only $4.00 of this would benefit the foreign customer while $60 would go from the Department of Agriculture's budget to subsidize U.S. merchant marine interests. Under these circumstances the program simply could not be a cost-effective means of increasing our exports.

A similar situation exists with the export PIK program. Application of cargo preference would add greatly to its cost, and might result in none of these sales being made at all. Such a situation would be a blow not only to agriculture, but to the transportation and processing industries as well.

The Committee encourages foreign purchasers to ship their commodities on U.S.-flag vessels. However, mandating that U.S. vessels be used in these programs is counterproductive.

Export PIK and blended credit are new, commercially-oriented programs. If they work, they will create opportunities for increased employment and economic activity in agribusiness and the maritime industry as well. However, if these programs cannot work, as a result of the application of cargo preference, then these opportunities will be lost. It is essential that cargo preference not apply in these cases.

CCC SALES OF EXTRA LONG STAPLE COTTON

The bill allows the Commodity Credit Corporation to sell its stocks of extra long staple (ELS) cotton at such price levels as the Secretary determines appropriate to maintain and expand export and domestic markets for such cotton. Currently, the minimum price at which ELS cotton can be sold for unrestricted use is 115 percent of the loan rate as provided under the Agricultural Act of 1949. Removal of this restriction on the sale of extra long staple cotton will provide the Secretary with greater flexibility to effect the reduction of surplus stocks while at the same time allowing extra long staple cotton to be more competitive in both domestic and export markets.

U.S.-U.S.S.R. LONG-TERM GRAIN AGREEMENT

The U.S.-U.S.S.R. long-term grain agreement (LTA) currently extends through September 30, 1983. The Committee believes that the President should initiate negotiations for a further long-term agreement for sales of U.S. grain.

The current LTA was signed in 1975 to cover the period October 1976–September 1981. It has been extended twice for one-year periods.

The LTA requires the Soviets to buy at least 6 million tons of U.S. wheat and corn annually and allows the Soviets to buy up to 8 million tons without prior consultations. They are required to purchase in an orderly fashion and the United States is obligated not to disrupt the shipment of the 8 million tons.

The LTA was negotiated to avoid the recurrence of severe market disruption caused by the Soviets in the early 1970's, when their purchases were extremely erratic, large enough to destabilize the entire world market, and so secretive that they were able to manipulate prices and hurt both U.S. farmers and our other customers. The potential for economic disruption from Soviet purchases has increased since the mid-1970's, since Soviet grain imports now total nearly 20 percent of world grain trade. An LTA is a valuable framework for this trade.

An LTA with a higher minimum purchase requirement—above the current 6 million tons—would make the framework more effective, given the current volume of Soviet imports.

This would also be consistent with current trading patterns, since Soviet purchases of wheat and corn have averaged 11.23 million tons during the first 6 years of the agreement—despite the grain embargo in 1980. During the 1981/82 agreement year, the Soviet Union bought 13.87 million metric tons of U.S. wheat and corn. An LTA with higher minimum purchase requirements would also allow for the orderly growth of trade, as the current LTA has.

The following table shows the U.S. sales and exports to the Soviet Union since the LTA was signed:

U.S. SALES AND EXPORTS TO U.S.S.R.[1]

Year	Million metric tons						Cotton (million bales)
	Corn	Wheat	Total	Soybeans	Soybean oil	Soybean meal	
1976/77:							
Marketing	3.052	2.617		0.899			
1st Agreement	3.052	3.064	6.116				
1977/78:							
Marketing	11.076	3.438		.805			
2d Agreement	11.132	3.453	14.585				
1978/79:							
Marketing [2] [3]	11.388	2.604		1.187		0.027	
3d Agreement [2] [3]	11.530	3.971	15.501				
1979/80:							
Marketing [3]	5.953	4.422		.807	0.041		
4th Agreement	5.768	2.171	7.939				
1980/81:							
Marketing	5.738	3.000					
5th Agreement	5.738	3.780	9.518				
1981/82:							
Marketing	7.773	6.539		.710			
6th Agreement	7.773	6.097	13.870				
1982/83:							
Marketing [4]	3.016	[5] 3.368					0.099
7th Agreement	3.016	2.994	6.010				

[1] Agreement years for U.S.S.R. purchases of wheat and corn on an October-September year basis.

[2] Includes 89,000 tons of wheat and 219,000 tons of corn carried over from the 2d year.

[3] Includes 173,000 tons of wheat and 125,000 tons of corn exported in October and November of 1979 to complete 3rd year purchases.

[4] Sales as of Mar. 3, 1983 plus daily sales to date.

[5] Includes 37,000 tons purchased by Bangladesh to replace 1973 wheat loan, which is not applied toward agreement.

Source: U.S. Department of Agriculture, Mar. 10, 1983.

BARTER OF AGRICULTURAL COMMODITIES

The Department of Agriculture conducted a barter program from 1950 until 1973. During this time, the market value of agricultural commodities exported from the United States through barter contracts authorized under Public Law 480 and the Commodity Credit Corporation Charter Act was approximately $6.65 billion. Of this amount, $4.81 billion was for strategic materials.

The barter program was suspended in 1973 when CCC stocks were largely depleted and the supply of private stocks no longer justified the need for a barter program. CCC stocks of several commodities are now at record high levels. Barter remains as one option to help reduce these surplus stocks.

The Secretary of Agriculture recently used existing barter authority to conclude a barter arrangement for a strategic material. On February 25, 1983, the United States and Jamaica signed a barter agreement for the exchange of $13 million worth of U.S. dairy products for an equal amount of Jamaican bauxite. This is the first barter contract for strategic materials since 1967.

The Committee realizes that an expanded CCC barter program could be a useful method of moving surplus U.S. agricultural commodities into world markets and receiving strategic and critical materials in payment for them during a period when the commodities would not have been sold for cash. The provisions of the bill would supplement and strengthen already existing authority of the Secretary of Agriculture to use CCC stocks for barter.

The Committee adopted a provision amending the Commodity Credit Corporation Charter Act relating to the barter of agricultural commodities acquired by the CCC for strategic and critical materials. Subject to the Secretary of Agriculture's approval, the Commodity Credit Corporation would be required, to the maximum extent practicable, to exchange surplus CCC stocks for strategic and critical materials. Furthermore, particular emphasis is given to the exchange of CCC commodities for petroleum products to facilitate filling the Strategic Petroleum Reserve, although such emphasis is not meant to discourage barter for other strategic and critical materials.

The Strategic Petroleum Reserve (SPR) was authorized by Congress in 1975 in order to protect against a repetition of the economic dislocation caused by the petroleum shortages resulting from the 1973-74 Arab oil embargo. A SPR level of 750 million barrels is presently authorized under the established plan for filling the SPR. The current level of the SPR is 290 million barrels.

ECONOMIC SUPPORT FUND

The Committee believes that a share of the economic assistance provided by the United States to foreign countries should be used to purchase U.S. agricultural commodities. This legislation requires that 20 percent of the funds appropriated for the Economic Support Fund be used to buy U.S. agricultural commodities, one-half of which must be processed or value-added products.

The Economic Support Fund, provided for in the Foreign Assistance Act of 1961, is used to provide assistance to countries and organizations, under terms determined by the President, and to promote economic or political stability. In fiscal year 1983, $2.955 billion was appropriated for the Fund. The appropriation request from the Administration for fiscal year 1984 is $2.949 billion.

In planning assistance for economic development the President is required to take into account the policy directions set out in section 102 of the Foreign Assistance Act of 1961. Among other things, section 102 provides for the focusing of U.S. assistance on problems in the functional sectors which affect the lives of the majority of people in developing countries, including food production and nutrition. A portion of ESF is currently used for commodity import programs. Commodity import programs (CIPs) are a form of nonproject assistance through which the Agency for International Development (AID) makes dollars available to the assisted country on a loan or grant basis to pay for essential commodity imports. These imports, in virtually all cases, come from the United States. CIPs are often used to provide relatively fast disbursing balance-of-payments support or to generate local currency for budget support.

CIP agreements usually provide for AID's financing of a wide variety of basic items including agricultural, construction, and transportation equipment, fertilizer, chemicals, raw materials, semi-finished products, and foodstuffs.

In fiscal year 1982, $492 million was obligated for CIPs. The proposed funding for 1983 is $517 million and for 1984 it is $575 million.

Congress has already moved in the direction of requiring a portion of the ESF to be used to purchase U.S. agricultural commodities. Section 203 of the International Security and Development Cooperation Act of 1981 directs the President to allocate at least 15 percent of the funds made available under the ESF each fiscal year for CIPs for use in financing the purchase of agricultural commodities and agricultural-related products which are of United States origin. This provision originated in a floor amendment offered by Senators Zorinsky and Boschwitz in 1981. That amendment, adopted by the Senate on a voice vote, applied the 15 percent requirement only to "agricultural commodities produced in the United States."

At a time of record surpluses of agricultural commodities in the United States, the Committee believes that the use of commodities through ESF should be expanded and broadened beyond the amount now purchased through CIPs.

The Committee recognizes the benefits to foreign nations which accrue from ESF. The Committee believes, however, that those benefits could be multiplied if more of the funds made available through the ESF were used to purchase surplus commodities and value-added products from the United States.

CONGRESSIONAL REPORTS

A comprehensive report on export subsidies of other nations will be very useful to the Congress in determining if, when, and where further actions to counter export subsidies should be taken.

The Committee believes that there are certain commodities and countries where the use of export subsidies is unmistakable and an immediate response is called for, as provided in this bill. However, there are other types and degrees of subsidy. The Committee is seeking comprehensive information on which countries are using various types of export subsidies and where such subsidization is occurring. The report required by this provision will provide information so that any further actions which become necessary may be directed appropriately.

The bill provides for a very broad definition of export subsidies. The Committee does not necessarily condemn all of the possible practices included in this definition, because some of these may be done in the usual course of marketing. The Committee has structured this definition broadly, however, so as to require that the fullest possible information and data be compiled.

The Committee believes that the President should report to Congress on the negotiation of a new long-term sales agreement with the Soviet Union. Negotiations on a multiyear agreement have been suspended since December of 1981, but the original 5-year pact has had two 1-year extensions. Regular consultations under the existing LTA are scheduled to occur in Moscow on March 24–25, 1983. A report should be made to the Congress by March 31, since only 6 months would remain from that time until the existing LTA expires.

Bilateral agreements relating to agricultural trade have been entered into between the United States and the Soviet Union, the People's Republic of China, and Mexico. However, other countries have used bilateral agreements more extensively. In order to assess the impact of and prospects for bilateral agreements in general, the Committee bill requires a report from the Secretary of Agriculture by July 1, 1983.

Since the Committee bill expands the barter and exchange activities of the Commodity Credit Corporation, the Committee is requiring a report on CCC's barter activity by 90 days after enactment, so as to monitor the program and maintain Congressional oversight.

The Committee is seeking to utilize surplus agricultural commodities in a variety of ways. In order to have more information on international commodity distributions, this legislation requires the Secretary of State to report to Congress on the programs under his administration which are or which could be used for distributing surplus commodities.

Committee Consideration

HEARINGS

The Committee held hearings on agricultural trade legislation on Thursday, February 17, and Friday, February 25, 1983.

In his opening statement at the February 17 hearing, Senator Helms outlined the need for trade legislation as being two-fold. First, Congress must take decisive action to induce other nations to curtail their use of export subsidies in agricultural trade. Second, Congress must use every appropriate means to encourage and expand the export volume and value of agricultural commodities and products.

Senator Helms reviewed the process by which the European Economic Community (EEC) has captured U.S. markets for grain, poultry, and other agricultural products through the use of massive export subsidies. Senator Helms states that this represents an intolerable situation, since the United States, holds a natural competitive advantage in the marketing of many of these products. Senator Helms also reviewed his talks with the EEC at the Ministerial meeting of the General Agreement on Tariffs and Trade (GATT), and concluded that the Europeans were unwilling to even discuss the matter of export subsidies.

Senator Walter Huddleston, ranking minority member, concurred with Senator Helms' remarks, pointing out the decline in both the value and volume of U.S. agricultural exports. He said that the American idea of free trade is not necessarily fair trade as it is being applied around the world at the present time.

Senator Huddleston stated that it is appropriate and very timely that the Congress move now on remedial legislation to help resolve the economic problems facing farmers and that the establishment of an aggressive export market development program will be the first step in that direction.

Senator Peter Wilson traced the decline in EEC imports and the accompanying rise in its export, due, he said, to its increased use of export subsidies. He recounted the frustration the United States has felt in trying to negotiate with the EEC, particularly through the GATT channels.

Senator Wilson announced his intention to offer an amendment to S. 251, the Agricultural Export Equity Act of 1983, introduced by Senator Helms. The Wilson amendment calls for using $20 milion of the funds remaining of the money earmarked for export enhancement in the Omnibus Budget Reconciliation Act of 1982 for raisins and canned fruit. Unfair European competition has cost these industries export markets and jobs, Senator Wilson pointed out.

Senator Howell Heflin commented that the trade legislation that has been introduced is aimed at recouping lost markets and increasing the market share in those countries where the United States has been able to maintain a market. He called for the United States to work on rebuilding markets lost during the grain embargo. He praised the Cochran-Huddleston bill (S. 14) as a good measure that would increase U.S. markets. However, he expressed concern that some products, such as cotton, could be shipped overseas and come back in a manufactured form, in competition with our own textile industry and that any export payment-in-kind program using cotton should make sure our textile industry is not disadvantaged.

Senator Heflin also called for congressional action. "I think we are in a trade war. I think the time has come for the United States to stop retreating and to take affirmative action to bring about a counterattack on the predatory actions that have been taken by some of our partners who claim that we ought to adhere to the concepts of free trade."

Senator Bob Dole urged that this legislation, as well as other trade legislation, be enacted quickly. He also urged the Administration to explore the possibilities of another long-term grain sales agreement with the Soviet Union.

Senator Dole stated that an improved economy, with lower interest rates and an expanded export market, would be the best farm program this country could have.

Senator David Pryor announced his intention to introduce legislation creating within the State Department an undersecretary of state for agricultural affairs. He also encouraged the Committee to consider the concept of barter, due to the shortage of currency of some of our trading partners.

The first panel of witnesses was composed of congressional members. Senator Mack Mattingly, Senator Charles Grassley, Congressman William Thomas, and Congressman Doug Bereuter, all strongly emphasized the need for Congress to move ahead with trade legislation. Senator Mattingly urged that the legislation be flexible to give the Secretary of Agriculture the ability to respond to changing market conditions, and also urged that particular attention be paid to high-value exports, especially poultry. Senator Grassley said that he thought, from his talks with representatives of Germany and Austria, that they were indirectly extending an invitation to the United States to help them bring an end to the current EC subsidization.

Congressman Thomas spoke in support of Senator Wilson's amendment to provide assistance to exports of raisins and canned fruit. Congressman Bereuter said the biggest problem is not that we are being taken out of European markets, but that the Europeans are pushing the United States out of third nation markets. And, while they are doing this through subsidies, the United States is being asked to increase its funding of the International Monetary Fund. He encouraged the Committee to look at the grain surplus as an asset for solving some of the export problems, and also spoke in favor of barter arrangements.

The second panel of witnesses was composed of Robert Delano, President, American Farm Bureau Federation, and William Gaston, President, Gold Kist, Inc., and Chairman, Blue Ribbon Trade Committee of the National Council of Farmer Cooperatives.

Mr. Delano testified that the good years of agricultural export trade might never be repeated unless we resolve the problems of protectionism and unfair trade practices. He then discussed how these two problems have deterred U.S. farm exports in the case of Japan and the European Community. Mr. Delano suggested that a combination of continued negotiations and trade actions are necessary to meet the competition in world markets.

Mr. Gaston outlined the reasons for the decline in U.S. exports, and urged Congress to undertake measures to regain lost markets, including the authorization of an export market enhancement program. He urged that such a program authorize the Secretary of Agriculture to use surplus CCC commodities as incentives to increase commercial export sales and that the Secretary be given authority to issue bonus certificates for commodities not currently in CCC inventory. Specifically, he endorsed Senator Wilson's canned fruit and raisin amendment, the sale of 150,000 tons of dairy products over the next 3 years, Senator Mattingly's bill making surplus commodities available to the poultry industry, Senator Dixon's bill emphasizing the export of value-added products through title II of Public Law 480, Senator Dole's proposal to establish an Agricultural Export Revolving Fund, and the provisions expanding the section 416 authority to donate CCC commodities to needy persons in foreign countries.

In response to questioning from Senator Huddleston, both witnesses said that the current efforts to reduce production must be seen as only short-term measures to reduce the current surplus. Mr. Delano reiterated support for bonus export payments in kind.

When questioned by Chairman Helms about the threat of retaliation from the EEC, both witnesses said the United States must move quickly and forcefully to convince the Europeans that we mean business.

The third panel of witnesses consisted of Lee Campbell, President, Poultry and Egg Institute of America; Albert Pope, President, United Egg Producers; Maurice Pickler, Springdale Farms, New London, N.C.; and George B. Watts, President, National Broiler Council.

Mr. Campbell said that while his organization was philosophically opposed to export subsidies, poultry and egg producers had been hurt so badly by EEC subsidization that it was time for the United States "to fight fire with fire." He specifically supported selling U.S. dairy stocks on the world market to the highest bidder; the use of subsidies on selected agricultural exports; interest rate buydowns; and an export payment-in-kind program. He also supported the provision in S. 251 requiring that $20 million be used for poultry and egg export assistance.

Mr. Watts traced the decline of U.S. broiler exports, said the GATT process lacked "teeth," and supported the use of Government surplus commodity stocks as a tool to regain lost broiler markets.

Mr. Pope detailed the economic plight of American agriculture, and proposed the formation of a coalition of commodity groups to work hand-in-hand with Government in developing sound agricultural policy under the leadership of the Department of Agriculture. He indicated that the United Egg Producers wholeheartedly support export trade legislation.

Mr. Pickler detailed the injurious effects of EEC subsidies on U.S. egg producers. For example, in the first 9 months of 1982, the export egg market was cut in half compared to the same period 1 year earlier. He pointed out that the egg industry has no regulatory controls or price supports. The resulting oversupply from lost export markets has caused the price of one class of eggs to drop 44 percent in the past year.

Mr. Pickler supported providing PIK grain to poultry producers. He said if a producer received, through the PIK program, enough corn to produce one case of eggs for export, it would be equivalent to $3.50 a case at current corn prices, or 11.5 cents a dozen. This is the same amount that the EEC is currently subsidizing their commercial egg industry.

The first panel of the afternoon session consisted of Don Loeslie, President, National Association of Wheat Growers; Ronald Stoddard, President, Nebraska Wheat Growers Association; Frank Johannsen, Nebraska Wheat Strike Force; Frank M. Mitchener, Jr., past Chairman of the Board, National Cotton Council of America; and Varel Bailey, Vice President for Legislative Affairs, National Corn Growers Association.

Mr. Loeslie called on Congress to authorize the Secretary of Agriculture to borrow wheat from the food security wheat reserve to use in an export PIK program for wheat. The current cost of storing the 147 million bushels of wheat in the reserve is $50 million per year.

He said that specific exclusion from cargo preference requirements in shipping PIK commodities is essential to ensure the success of the program. He spoke in favor of the recent Egyptian flour sale, and voiced support for the long-term grain agreement with the Soviet Union.

Mr. Johannsen, testifying for himself and Mr. Stoddard, called for increasing Public Law 480 title I funding by $500 million; expansion of the blended credit program; an export PIK program; and a new long-term grain agreement. He also voiced concern about the cargo preference requirements, saying it has cost CCC $363 million over the previous 5 years, money that could have been used to increase exports.

Mr. Mitchener said the best way to make sure cotton included in an export PIK program would not displace existing markets was to use it to open new markets. Most of these markets are available in poorer countries which do not have mills, thus suggesting the use of value/added products. That would have the effect of creating textile jobs in the United States.

Mr. Bailey encouraged the Committee to consider an export finance and insurance program allowing companies to carry insurance that their products will be delivered if they enter into an export contract with the foreign country. He said that while the Corn Growers support an export PIK program and export subsidies up to a point, we need to know when "we are going to get off this freight train; that we know where we are headed." He also asked that the various Government departments work together to come up with a single, consistent foreign trade policy.

In response to questioning by Senator Zorinsky, it was indicated that the Administration has made no movement on negotiating a long-term agreement. Mr. Bailey suggested that legislation to achieve some movement would be needed.

When asked by Senator Helms to assess the risks of going ahead with some of the proposed legislation, the panel members all agreed that there were risks, but it was necessary to do something to correct the present situation.

The next panel was composed of Wallace J. Campbell, President, Cooperative for American Relief Everywhere (CARE); E. Morgan Williams, President, Cooperative League of the USA; Larry Jones, Jones International Ministries; and Robert Ainsworth, World Vision.

Mr. Campbell said the provisions in several of the bills before the Committee calling for expansion of the CCC's overseas dairy promotion program to include other agricultural products would be of benefit to organizations like CARE. These provisions would also provide the Administration with discretionary authority to make surplus commodities available to public and nonprofit humanitarian organizations for barter and sale and direct distribution. He asked that the legislation permit the use of the proceeds from the sale of CCC commodities to meet basic costs and expenses of the agencies and help defray operating costs of implementing and expanding food aid projects overseas.

Mr. Williams urged that the CCC be permitted to donate CCC stocks for use under title II of Public Law 480, in addition to use under titles I and III as provided in several of the bills. He also supported the provisions of S. 490, introduced by Senator Dixon, granting voluntary agencies greater flexibility in carrying out Public Law 480 title II programs.

Mr. Williams talked about using agricultural products to promote Third World development. One way to accomplish that, he said, was to expand the section 416 authority to include products other than dairy products. He said expanded section 416 authority should be carried out by using the structure and personnel already in place at the Agency for International Development. He stated that the Cooperative League strongly supports the provisions permitting barter, sale, and direct distribution of section 416 commodities.

Mr. Jones described the activities of his organization, which collects wheat from farmers and distributes it to churches for overseas relief purposes. He asked for the release of surplus commodities for such uses.

Mr. Ainsworth said the Agricultural Export Equity Act of 1983 would not only alleviate financial pressure on farmers, but could also help organizations like World Vision to alleviate hunger in the Third World. He added that the provision allowing organizations to barter or sell section 416 commodities would provide such organizations with flexibility to pay some of their expenses of distributing the commodities, thus expanding the help they could provide.

In response to a question from Senator Wilson, panel members indicated that private food donation organizations were much more successful in getting food to the hungry than were government-to-government programs, where food often does not reach those for whom it was intended. Mr. Williams also talked about the increase in demand for vegetable oil in India that resulted from a vegetable donation program under Public Law 480. The point, he said, was that if we develop the Third World countries, our export markets will grow as their healthy economies call for and can support more exports.

Testifying on the final panel of the day were Frank Light, President, Sun Diamond Growers of California; Kalem Barserian, General Manager, Raisin Bargaining Association; and Richard Peterson, Cling Peach Advisory Board.

Mr. Light said the productivity of the U.S. raisin farmer and the quality of his product makes him the most efficient producer in the world. However, U.S. raisin markets are being taken over by the EEC and others, paticularly since Greece entered the Common Market and began to receive subsidies for its agricultural products. These subsidies have undercut California producers in particular and driven them out of the market. He said recent Government programs, including blended credit, have not been of value to the raisin industry, and that the expenditure of $45 million is necessary for that industry to retain its markets.

Mr. Barserian reiterated Mr. Light's testimony and pointed out that subsidized Europeans wine imports have hurt the California grape industry and have caused a diversion of grapes from wine production into raisin production.

Mr. Peterson testified that the canned fruit industry is heavily dependent on export markets, because of limited domestic consumption. In 1981–82, cling peach exports to the EEC declined 71 percent, and the exportation of fruit cocktail declined 33 percent. The value of these losses in exports to the EEC was $8 million.

As with the raisin industry, the canned fruit industry has found its section 301 complaint to be of no help. He reiterated the comments of others on the panel that enactment of S. 251 would provide needed relief for these industries.

In questioning the panel, Senator Wilson underscored the point that there was no export PIK-type of relief available for these industries, but, rather, a subsidy is going to be necessary to maintain their markets.

In his opening statement at the February 25 hearings, Senator Helms reiterated that his legislation and that of other Senators was not intended to be a permanent export policy or a catalyst for a trade war, but was intended to provide the United States with the opportunity to compete fairly and to induce to the bargain table those who would jeopardize the world trading system through the use of predatory subsidies.

Senator Jepsen commented that domestic cutbacks in production cannot succeed if our exports continue to decline, and he voiced support for the export payment-in-kind legislation, noting that any export program should have as a primary purpose the development of new markets combined with disposition of the current surplus stocks.

Senator Dole urged the Secretary of Agriculture to continue to press for a long-term grain agreement with the Soviet Union.

In his opening statement, Secretary of Agriculture John Block stated tht the Department of Agriculture has authority to implement export promotion programs and has done so on a selective basis, citing the Egyptian wheat flour sale as an example. He reiterated the Administration's endorsement of a free trade policy stating that the U.S. Government would resist protectionist measures while continuing to urge foreign governments to eliminate their subsidy practices. Nevertheless, he testified that there is a potential role for carefully targeted, temporary measures to convince other countries to reduce their trade distorting practices.

Secretary Block then discussed the decline in exports of our major commodities over the past several years. To combat this, USDA has attempted to use existing authorities more effectively—especially the blended credit program, which was designed primarily to compete with foreign subsidies and to penetrate markets in developing countries. The Secretary testified that this has been a successful approach and additional funding has been allocated to this program.

Another export expansion tool available to the Secretary is the Public Law 480 program, and he testified that additional funding has been requested for the program for fiscal year 1984.

The Secretary summarized our Government's continuing effort to negotiate, through the GATT process, an end to unfair subsidization practices by the European Economic Community. He commented that while the United States is committed to continued negotiations, the United States will defend its markets, through additional sales similar to the recent Egyptian wheat flour sale. These targeted sales will be made on a selective basis subject to the following criteria: targeted to select countries; additionality, that is it would not displace other U.S. sales; noninterference with commercial sales of countries who compete fairly; demand expansion for U.S. products; and finally, adherence to international obligations.

Ambassador David Macdonald, Deputy U.S. Trade Representative, and Marc Leland, Assistant Secretary of the Treasury for International Affairs, concurred in the Secretary's statement.

Assistant Secretary Leland submitted a written statement which listed other economic factors besides the unfair trading practices of the European Economic Community which have contributed to U.S. agricultural difficulties.

In questioning, Senator Helms asked Ambassador Macdonald to outline the GATT decision on wheat flour and to discuss what precedent, if any, it established. Ambassador Macdonald answered that the thrust of the panel decision supports the factual position of the U.S. case, but stops short of finding that the EEC took an inequitable share of the international market in wheat flour. He stated that the decision could be looked at in two ways from the American perspective. First, there is some encouragement that pending cases are being decided, but on the other hand, if future decisions follow the vagueness of the wheat flour decision, there is not much hope for any discipline in international trade in agricultural commodities. In such circumstances, the U.S. alternative would be to subsidize our agricultural products.

Senator Helms then questioned whether the proposed dairy sales in S. 251 would be a violation of the GATT. Secretary Block answered that there would be no violation as long as we are selling at competitive world prices.

Senator Melcher questioned under what authority USDA had implemented the wheat flour arrangement. The Secretary responded that it was done under the Commodity Credit Corporation Charter Act.

Senator Jepsen then asked about the status of the domestic international sales corporations which had been useful to American exporters, but which had been challenged by the EEC. Ambassador Macdonald answered that previous negotiators had agreed in writing that these companies were inconsistent with the GATT, and having already admitted that current negotiators saw little hope in prevailing on this issue. Ambassador Macdonald indicated that an alternative consistent with GATT standards was being drafted.

In his questioning, Senator Boschwitz concentrated on the potential costs of the cargo preference requirement if it is a condition of all export PIK and blended credit sales. Secretary Block answered that the President has required that 50 percent of the wheat flour shipped to Egypt be carried in U.S. ships, but that cargo preference would be decided on a case-by-case basis. He commented that application of the requirement would significantly affect the blended credit program since it depends on selling at competitive prices.

Senator Boschwitz then discussed the possibility of his offering an amendment to prohibit the application of cargo preference specifically to the wheat flour sale or perhaps to all PIK and blended credit programs. The Secretary responded that with respect to the Egyptian wheat flour sale, the Administration would oppose such an amendment.

Senator Wilson then questioned Secretary Block with respect to the criteria listed by the Secretary for targeting U.S. efforts to combat EEC subsidies. He specifically questioned the noninterference standard, giving the example of American raisins. Currently, American raisins are being displaced not only by Greek raisins, an EEC country, but by Turkish raisins, which are not subsidized. Senator Wilson wondered if the noninterference standard would prevent a targeted sale considering the Turk's position. Secretary Block responded that there are enough candidate markets for targeted sales which would not interfere with a third country.

Senator Helms then called a panel of witnesses representing trade organizations which included Bernard Steinweg of the National Grain and Feed Association; Ralph Weems, Jr., of the American Soybean Association; Roy Henwood of the Millers' National Federation; and Stephen Gabbert of the Rice Millers' Association.

Both Mr. Steinweg and Mr. Weems expressed caution with regard to the use of U.S. subsidies and listed additional reasons besides export subsidies of other countries which have contributed to the distress of American agriculture.

Mr. Steinweg stated several problems which his organization has with U.S. export subsidies. First, subsidies are inconsistent with the free trade policy. Second, subsidies invite further retaliation. Third, subsidies distort market prices making it difficult to determine the true value of a commodity. Fourth, subsidies favor foreign buyers over domestic customers. Fifth, subsidies might send the wrong signal to producers and processors if they are perceived as an ongoing Government policy. Sixth, there are potential problems in administration of an export subsidy program.

However, Mr. Steinweg continued, his organization recognizes that subsidies are being considered as a near term policy measure and suggests that several standards be met before they are used. First, trade disputes should be subjected to the current review procedure and a genuine attempt to reach settlement should be made through negotiations, and secondly, Congress should not mandate when subsidies should be used but, if subsidies are used, domestic support prices should be frozen or adjusted to more clearly reflect the true market value.

Mr. Weems commented on the effects of trade legislation on soybeans. He stated that the United States is currently exporting $3.5 billion in soybean and soybean meal to the European Economic Community because of the zero-duty binding, and the European Economic Community would like to eliminate that. The American Soybean Association fears that a potential trade war could reduce these exports by $1 billion.

The American Soybean Association recommends that the United States instigate export enhancement programs only when a market has clearly been taken away, and should not be used as an attempt to gain new markets.

Nevertheless, the American Soybean Association believes that the U.S. soybean oil surplus is a direct result of Brazil's export subsidy program and urges the USDA to implement a soybean oil export equalization program similar to the wheat flour sale.

Further recommendations of the American Soybean Association include giving soybeans a greater share of allocations under titles I and III of Public Law 480 and requiring Public Law 480 recipients to purchase more of their commercial imports from the United States. Mr. Weems also opposed application of cargo preference requirements to export sales conducted under future export PIK or blended credit programs.

Mr. Henwood of the Millers' National Federation and Stephen Gabbert of the Rice Millers' Association expressed a more favorable view toward export action by the United States. Mr. Gabbert testified that the United States exports ⅔ of its rice crop. Previously, the United States had accounted for 24 percent of the world rice trade, but the U.S. share has declined to 15 percent. He agreed that trade was down for various reasons, but some of the blame is due to subsidized competition. He testified that a domestic PIK program alone would not reduce the surplus. It had to be complemented by a PIK program, which in his view would be permissible under GATT rules.

Mr. Henwood testified that, as the prime beneficiaries of the Egyptian wheat flour sale, his organizaiton would support future sales, of a limited nature, of a specific commodity to make a point against a specific competitor.

In regard to cargo preference reuqirements, Mr. Henwood expressed concern that any attempt to change the current situation might in some way impair the smooth delivery of wheat flour to Egypt and thereby lessen the effect of U.S. action.

Mr. Henwood then discussed the GATT decision on the Millers' National Federation section 301 case. He stated that, if the United States cannot get a tight ruling from the Subsidies Code Committee, then the Congress may wish to consider changes in the subsidies code itself.

Senator Boschwitz next called a panel representing United States and New Zealand dairy interests consisting of Patrick Healy of the National Milk Producers Federation; George Atkinson of the Associated Milk Producers, Inc.; and Edward Farrell representing the New Zealand Dairy Board.

Mr. Healy testified in support of the provision in S. 251 with regard to the sale of 150,000 tons of CCC dairy products on the export market. He added that this should be mandated since USDA has authority for such sales but has not implemented it. Mr. Healy also supported broadened authority for dairy donations.

Mr. Atkinson testified that his organization also supports S. 251. He added that U.S. dairy industry concessions at the last multilateral trade negotiations had failed to achieve the desired result of reciprocal EEC concession on other agricultural commodities. It had, however, contributed to our current surplus situation. He mentioned imports of casein as a case in point.

Mr. Farrell testified that the world market is not large enough to absorb the U.S. dairy surplus even in a staggered disposal. He stated that the New Zealand Dairy Board fears that prices would fall to the GATT minimum, having a devastating effect on the New Zealand economy which does not engage in trade subsidization practices. He opposed subsidized exports by the United States.

The final panel consisted of Kelly Harrison representing the American Society of Agricultural Consultants and Arthur Simon of Bread for the World. Dr. Harrison endorsed the objective of legislation to not only curtail the use of subsidies in trade, but recommended it be broadened to include services of professional agricultural consultants as well. He also recommended that the objective of expanding the export of agricultural commodities and products be broadened to include expanding the export of professional services of agricultural consultants.

As the final witness, Mr. Simon expressed concern that the food security wheat reserve could be emptied if pending domestic and export legislation authorizing use of wheat in the reserve is enacted. The food security wheat reserve serves as a backstop should huge food shortage arise. Mr. Simon concluded by voicing strong opposition to use of wheat in the reserve for agricultural export programs.

COMMITTEE MARKUP

The Committee met on Wednesday, March 2, and Thursday, March 3, 1983, to consider legislation designed to restore equity to the international trade of agricultural commodities and products thereof and to maintain and enhance foreign markets for U.S. agricultural exports. The Committee had before it for consideration S. 14, introduced by Senator Cochran; S. 18, introduced by Senator Dole; S. 77, introduced by Senator Mattingly; S. 100, introduced by Senator Boschwitz; S. 124 (titles III and V), introduced by Senator Zorinsky; S. 251, introduced by Senator Helms; S. 398, introduced by Senator Abdnor; S. 490, introduced by Senator Dixon; S. 575 (title XI), introduced by Senator Boren; and printed amendment No. 2, introduced by Senator Wilson.

In his opening remarks, Senator Helms referred to the factual record developed by the Committee during hearings on export trade issues, and expressed his assessment that the overwhelming weight of the testimony is that the time has come for Congress to act. Senator Helms then identified two primary objectives to be achieved: first, to do everything necessary to induce the EEC and others to come to the bargaining table for the purpose of eliminating their predatory agricultural export subsidies; and second, for Congress to take careful but deliberate action to do what it can to enhance export opportunities for American farmers.

At the close of his opening remarks, Senator Helms welcomed Senator Abdnor to the markup and invited him to make a few comments.

Speaking in support of S. 398, Senator Abdnor pointed out to the Committee that the estimated reduction in production brought about by the domestic payment-in-kind program will be largely offset by lost sales in international markets if something innovative is not done to stimulate sales overseas. He briefly described his bill and emphasized the need to tie together efforts to reduce domestic production and efforts to promote agricultural exports.

Following Senator Abdnor's statement, general opening remarks were made by several members of the Committee. Senator Lugar expressed support for legislation clarifying and broadening the Secretary of Agriculture's authority in order to further improve his bargaining stance on international trade matters by providing him with even greater latitude than under present law. Senator Lugar, however, expressed substantial misgivings about the Committee adopting legislation mandating export sales of any commodities by the Secretary.

Senator Jepsen began by expressing his appreciation to Senator Helms for his commitment to helping American agriculture, and then reminded Committee members of the need to report, quickly, a strong bill that will provide the maximum benefit to the agricultural economy at a minimum cost. Senator Jepsen also reiterated Senator Abdnor's point that agricultural legislation during the next 2 years must deal with expanding agricultural exports as well as reducing grain production.

Senator Wilson then expressed his agreement with the remarks made by the Senator Helms, Sentor Abdnor, and other Committee members forcefully addressing the agricultural export problem and urged the Committee to move early with a clean bill.

The Committee then turned to consideration of the specific legislative provisions before it. Without objection, the congressional findings contained in S. 18 were adopted.

The next item considered involved the sale for export of CCC stocks of dairy products. The Helms bill would require the Secretary to sell for export at least 150,000 metric tons of such dairy products during each of fiscal years 1983, 1984, and 1985; the Cochran bill would encourage the Secretary to sell 50,000 metric tons during each of those fiscal years.

Senator Helms initiated the debate by observing that a sale of surplus dairy products is one of the most important parts of any trade bill that the Committee reports. He noted that Congress has, in the last 2 years, twice passed legislation requesting the Secretary to sell surplus dairy products overseas, but that no significant sales have yet been made. Further, the Senator Helms explained that while the EEC maintains domestic price support levels similar to those in the United States, through the use of export subsidies the EEC now holds about 50 percent of the world export trade in dairy products compared to the U.S. share of only 8 percent. He noted that if the Committee wants to sent a strong message to the EEC, it is of prime importance to include a mandatory sale of dairy products.

Senator Lugar then expressed his concern that a mandatory sale of dairy products may have the effect of disrupting international trade negotiations presently in progress by restricting the Secretary's bargaining latitude too much. Agreeing on the need to be tough, he expressed his support for adoption of the Cochran provision urging such a sale, coupled with the proposed semiannual reporting requirement.

At Senator Helms' request, the Department of Agriculture spokesman recited statistics on dairy product sales during fiscal years 1980 through 1982, and responded to a question by Senator Huddleston that the international dairy market is flexible enough to allow for a sale of 150,000 metric tons if necessary.

Considerable discussion followed during which Senator Cochran proposed adopting the language of S. 14, encouraging the sale of dairy products, but increasing to 100,000 tons the amount to be sold. Other senators expressed suport for the mandatory language in S. 251, reiterating the need for firm action in support of American farmers in the international marketplace.

Senator Heflin moved the adoption of the dairy sale language in S. 251, which was then adopted by a vote of 9 to 4.

The Committee then reconsidered the provisions requiring the Secretary to report on the status of the diary product sales on a semiannual basis. Senator Lugar proposed that the report termination date from S. 14 be combined with the S. 251 provision.

Senator Cochran expressed his support for the proposal and it was then adopted without objection.

The next item considered by the Committee involved the use of CCC funds for export promotion activities. The proposed provision would direct CCC to use $90 million for export assistance for value-added or high-value products, with $20 million targeted for poultry and eggs.

After briefly describing the background of the amendment, Senator Helms offered an amendment of a clarifying nature.

Senator Wilson expressed support for the Helms amendment but proposed that it be modified to clarify that where credit subsidies cannot be used, price subsidies will be used. Also being considered was a Wilson amendment to target $15 million of the funds for raisins and $5 million for canned fruit.

The Committee debate centered around the question of targeting a portion of the funds to specific products. Senators Lugar and Boschwitz argued that the targeting provision should be dropped. Senators Wilson and Heflin pointed out the need for providing specific assistance for poultry, eggs, and raisins as a result of the particularly aggressive and unfair trade practices used by other nations to greatly erode traditional U.S. export markets for these products.

Senator Heflin moved the adoption of the Helms substitute as amended by the two Wilson amendments. The provision was then adopted with Senators Boschwitz and Lugar recorded in opposition.

The next item considered would require the Secretary to use additional funds, equal to one-half of the proceeds from the sale of dairy products under the provision previously adopted by the Committee, for export assistance for U.S. agricultural commodities and products to equalize price and credit subsidies by other nations.

After a brief discussion of the related costs and savings associated with the provision, it was adopted by the Committee with Senator Lugar recorded in opposition.

Of the seven bills providing for some form of an export PIK, six authorized such a program with basically similar provisions. The seventh bill, S. 100, would set up a mandatory export program triggered by the existence of specific levels of surplus commodities and implemented through a payment-in-kind type of mechanism.

After the staff briefly described the differences between the six bills authorizing an export PIK program, Senator Melcher raised a question as to whether any of these provisions would provide the Department of Agriculture with any authority it does not already have under current law. It was explained that the bills would all provide specific authority for an export PIK program, as opposed to the general authority under current law, and impose certain limitations and protections that would apply to the administration of the program.

Senator Melcher raised concern about whether the operation of an export PIK program would interfere with the distribution of commodities in connection with domestic nutrition programs, and whether there were any procedural problems under current law that the Committee should correct.

Senator Boschwitz described S. 100 and the basis on which he designed the program set forth in S. 100. On the motion of Senator Cochran, the basic export PIK authority as contained in S. 251 was then adopted without objection.

The Committee then proceeded to discuss each aspect of the specific export PIK program contained in the various bills under consideration. Without objection, the Committee adopted the provisions of S. 251 providing: protection for domestic users; priority for traditional purchasers; protection of usual marketings of the United States; restrictions against transshipment and use, for other than domestic purposes, of PIK commodities by receiving nations; bonus commodities to foreign purchasers that use proceeds from the sale of PIK commodities; for the Secretary to carry out the program through CCC and to issue regulations; and that this authority is supplemental to current law.

The next item considered would expand the authority of the CCC to donate surplus commodities to needy persons in foreign countries.

On this item, the provisions of S. 251 differed from S. 14 and S. 575 only to the extent that S. 251 would allow recipients of donated commodities to use them for barter or sale to assist needy persons.

Senators Lugar and Melcher expressed concern that barter and sale provisions are too broad and may lead to problems by encouraging the use of donated commodities in commercial trade channels. At Senator Lugar's request, it was agreed that this authority should be limited, to prevent misuse, by making barter and sale activities subject to approval by the Secretary. Without objection the expanded donation authority was then adopted as modified by Senator Lugar.

Public Law 480 amendments were next considered by the Committee.

The first amendment considered would authorize the President to use CCC commodities and products, in addition to programmed levels, to increase the level of agricultural exports under title I and III.

Senator Huddleston proposed that this provision be modified to include title II of Public Law 480 as well. A brief discussion ensued after which the provision as modified was adopted without objection.

The second Public Law 480 amendment would establish a target level of 55 to 60 percent for value-added and protein-fortified products of the total tonnage of commodities distributed under title II of Public Law 480, and would require the President to consider the nutritional assistance of recipients and the benefits to the United States of providing value-added and protein-fortified products. This amendment was adopted without objection.

The next two amendments to Public Law 480 involved the matter of consultation with voluntary agencies in connection with programming decisions under titles II and III. These were adopted without objection.

The next amendment would set the level of Public Law 480 title III agreements at approximately 17 to 20 percent of the title I agreements. In response to questions raised, Senator Dixon indicated that this amendment to increase the level of title III agreements, currently 15 percent, is consistent with the Administration's policy in administering the program. The amendment was adopted without objection.

The next Public Law 480 amendment dealt with assistance to famine-prone countries under title III, and would provide for using commodities for rural projects and primarily to benefit the poor.

After some discussion, this provision was agreed to without objection on the understanding that inserting the goal of using the commodities at the farm and village level in the law is not intended to require that projects be carried out at the local level in cases where that may result in the diversion of the commodities away from the intended uses under the program.

The next item considered would allow the sale of CCC stocks of extra long staple cotton at levels below the current resale price restriction of 115 percent of the applicable loan level. The provision was adopted without objection.

Next, the Committee considered the item in S. 14 to allow for the processing into end-use products by private companies of CCC commodities made available to domestic food distribution programs.

Senator Dole pointed out that a very similar provision was also contained in S. 17, scheduled for markup later in the day. A brief discussion concerning whether the provision should be included in this bill or in S. 17 or in both followed. Since the provision was to be included in S. 17, it was dropped from the export bill.

The next item considered would authorize the use of up to 2 million metric tons of wheat from the food security wheat reserve in carrying out the export PIK program. As proposed, this provision would require replenishment of any wheat so used, by September 30, 1984, as currently provided in law, except that replenishment through purchases would no longer be subject to appropriations.

Senator Boren argued that without this authority wheat will be left out of an export PIK program because CCC just does not own enough of the surplus wheat to operate the program. Currently, most surplus wheat is in the farmer-owned reserve.

Several points were raised by members including the possibility that using this wheat might increase the surplus problem since this wheat is insulated from the marketplace as long as the reserve is maintained intact, and concern over using the reserve for other than humanitarian purposes.

A proposal modifying the provision to provide for replenishment of the reserve out of the farmer-owned reserve was discussed.

It was noted that a similar provision in S. 17 would allow use of 500,000 tons of wheat from the wheat reserve for domestic food distribution programs.

Senator Cochran proposed modifying the provision to allow for replenishment through loan forfeitures or purchases, and expressed concern about deleting the current law requirement that purchases to replenish the reserve be authorized in an appropriation Act.

Senator Dole proposed to lower the level from 2 million tons to 1.5 million tons in order to allow the use of 500,000 tons for domestic programs.

After further discussion, Senator Boren proposed that the Commission adopt the provision with the modifications suggested by Senators Dole and Cochran. The proposal as modified was then adopted by the Committee without objection.

The Committee next adopted without objection several provisions from S. 251 and S. 18 requiring reports to Congress as follows: by July 1, 1983, the Secretary of Agriculture must report on the use of export subsidies by foreign countries; by July 1, 1983, the Secretary of State must report on programs for commodity distribution abroad administered by the Department of State; by March 31, 1983, the President must report on his intention for negotiating a long-term agreement to sell grain to Russia; and by July 1, 1983, the Secretary of Agriculture must report on the growth of and prospects for bilateral agreements.

The next item considered would express the sense of Congress that the President should initiate discussions on a long-term grain agreement with the USSR. S. 18 and S. 124 contained slightly different provisions on this.

Senator Dole proposed that the Committee adopt the provision in S. 124 but modify it to provide that there be a higher minimum purchase requirement in any LTA. After brief discussion, the Committee adopted the language in S. 124 without modification.

Next, the Committee took up the provision of S. 124 to require the CCC, to the maximum extent practicable, to use CCC stocks of agricultural commodities to barter for strategic and critical materials, and to provide, under specified circumstances, that CCC accept, without reimbursement, petroleum products for the Strategic Petroleum Reserve in exchange for such commodities.

Senator Zorinsky, sponsor of the provision, explained that the intent of the provision is to give wider discretionary authority in order to exchange some of our surpluses for materials needed in this country. He emphasized that the provision is not a mandate, that it must be done only with the approval of the Secretary of Agriculture, and that it is practical taking into account other relevant considerations.

Senator Cochran raised a concern about the possibility that countries receiving bartered agricultural commodities might resell them at prices that would undercut the usual trade in U.S. commodities. He proposed modifying the provision to limit barter to those countries that are not going to transship the commodities to other countries and disrupt traditional U.S. markets or displace U.S. sales. This modification was agreed to by Senator Zorinsky.

Senator Helms then inquired why barter for petroleum products should be without reimbursement to CCC, and what impact it might have on farmers. The Department of Agriculture spokesman responded that it could increase demand for grain and result in increased prices. It was again pointed out that exercise of this authority is discretionary with the Secretary. With this understanding and with the modification proposed by Senator Cochran, the Committee then adopted the provision without objection.

Senator Boschwitz next raised a proposal to require specific dollar increases in the funding levels for cooperator programs of the Foreign Agricultural Service during each of the fiscal years 1984 through 1986. Under this proposal, the increases would be accomplished by using CCC funds in addition to appropriated amounts for these programs.

Senator Cochran noted that the intent of the proposal could be avoided if the Administration simply reduced its request for appropriated funds by the same amount.

It was further noted that the cooperator programs of FAS have been very effective in expanding and developing markets and that, for this reason, the agriculture appropriations subcommittee is very sympathetic to requests for increased funding.

The Committee thereafter agreed, without objection, to adopt the sense of the Congress language in S. 100 urging that funding for these programs be maintained at the same real level as in fiscal year 1971 and that market development programs for value-added products be maintained at levels greater than in 1983.

The Committee also agreed, without objection, to adopt language expressing the sense of Congress that the number of U.S. Agricultural Trade Offices in foreign countries should be increased to at least 15.

The next item considered was a proposal by Senator Boschwitz providing that no CCC funds can be used to meet any obligations of the cargo preference laws arising out of any export activity of the CCC involving the export PIK program or the blended credit program.

Senator Boschwitz clarified that his proposal does not apply to Public Law 480 transactions or to the recently concluded wheat flour sale with Egypt. Further, he stated that the provision is not intended to indicate opposition to cargo preference generally, but only that the expense of maintaining the merchant marine of this country not be borne by farmers.

Senator Melcher raised a concern that the proposal, if adopted, might make it difficult for the Department of Agriculture to finalize sales under a PIK program, like the Egyptian flour sale, because of the difficulty of getting funds from the U.S. Treasury to pay the freight differential resulting from cargo preference. It was noted that in the case of the wheat flour sale the freight differential is being offset through additional commodities being made available by CCC.

Senator Boschwitz then proposed to modify his amendment to exempt from the cargo preference laws any shipments made under the export PIK program or under the blended credit program.

It was then agreed to defer final resolution of this matter until the second session of the markup planned for Thursday, March 2.

The markup reconvened on March 3 and the first item considered was Senator Boschwitz's proposal on the cargo preference issue. The proposal would exempt from the cargo preference laws export activities of the CCC in connection with the export PIK or blended credit programs. Senator Boschwitz noted that it was his intent that the Egyptian flour sale would not be affected by this proposal.

It was observed by Senator Helms that in the past the Committee has adopted a blanket exemption of farm products from the cargo preference laws, and that the proposal now being offered is much more limited in scope.

Senator Helms voices his support for the proposal and cited testimony that concluded that the application of cargo preference laws to the blended credit program would kill it.

The Committee, with Senator Cochran noted as opposed and Senator Helfin recorded as voting present, then agreed to adopt the proposal by Senator Boschwitz.

The next item considered was a proposal by Senator Huddleston dealing with the farm credit situation. After extensive debate, the Committee agreed to adopt Senator Huddleston's proposal, but to report it as a separate bill (S. 24).

Senator Zorinsky next raised for discussion the provision in S. 124 expressing the sense of Congress that in fiscal year 1983 not less than $1 billion should be made available to fund the Agricultural Export Credit Revolving Fund established under the Food for Peace Act of 1966.

Following a brief discussion, the Committee adopted, without objection, the proposal.

The next item considered would require the President to use not less than 20 percent of the funds appropriated for the Economic Support Fund to purchase U.S. agricultural commodities, with one-half of this amount being used to purchase value-added products. The proposal was adopted, without objection.

The final item considered would reduce by one-half the scheduled increases in target prices for the 1984 and 1985 crops of wheat, feed grains, upland cotton, and rice, and require that an amount of CCC funds equal to the estimated savings from the reduction be used to fund an Agricultural Export Promotion Revolving Fund.

In the discussion of this proposal, Senator Dole pointed out the problem with finding new money to finance export programs for agriculture and the need for farmers to consider shifting funds from domestic programs to export activities. The Department of Agriculture spokesman noted that the scheduled target price increases are sending a signal to farmers to increase production at a time when just the opposite is needed. The Department's position would be for the Secretary to be authorized to forgo the increases altogether.

After discussion, Senator Dole withdrew the amendment from consideration.

Senator Helms then moved that the Committee report the export bill to the Senate as an original Committee bill. The motion was seconded and adopted by the Committee, with Senator Lugar recorded in opposition.

SECTION-BY-SECTION ANALYSIS

Short title

The first section provides that the bill may be cited as the "Agricultural Export Equity an Market Expansion Act of 1983".

TITLE I—CONGRESSIONAL FINDINGS AND POLICY

Findings and declaration of policy

Section 101(a) sets forth congressional findings to the effect that: (1) continued low prices of agricultural commodities erode the economic position of farmers and related industries; (2) erratic actions of the U.S. Government involving exports of U.S. agricultural commodities and products thereof have severely harmed the reputation of the United States as a reliable supplier in international markets; (3) unfair trade practices by foreign countries, high interest rates, and unfavorable exchange rates have weakened the competitive position of the United States in international trade of agricultural commodities and products; and (4) increased agricultural exports would create new jobs, improve the U.S. balance of trade, and otherwise strengthen the national economy.

Section 101(b) declares that Congress considers the expansion of agricultural exports to be of fundamental economic importance and one of the highest national priorities.

TITLE II—AGRICULTURAL EXPORT PROMOTION AND DEMAND ENHANCEMENT

Export sale of dairy products

Section 201 directs the Secretary of Agriculture to sell for export, during each of the fiscal years 1983, 1984, and 1985, at least 150,000 metric tons of dairy products owned by the Commodity Credit Corporation (CCC) at prices determined appropriate by the Secretary but not less than the minimum prices applicable under the International Dairy Arrangement. The sales are to be made through the CCC under existing authorities available to the Secretary or the CCC, and the Secretary is to report semiannually, through September 30, 1985, to the Senate and House agriculture committees on the volume of sales under this section. If the Secretary was unable to sell the amount of product specified at prices not less than the minimum prices under the International Dairy Arrangement, the requirement to sell the full quantity specified under this section during a specific fiscal year would not be operative.

Agricultural export promotion

Section 202 amends section 135 of the Omnibus Budget Reconciliation Act of 1982 by designating the first, second, and third sentences thereof as subsections (a), (d), and (e), respectively, and adding two new subsections.

New subsection (b) requires the Secretary of Agriculture to use Commodity Credit Corporation funds, in addition to the funds specified in the redesignated subsection (a) of section 135, equal to one-half of the estimated proceeds, as determined by the Secretary, obtained from the sale of CCC-owned dairy products under section 201 of the bill for export assistance for U.S. agricultural commodities and products thereof during each of the fiscal years 1983, 1984, and 1985 to equalize price and credit subsidies being used on agricultural exports by other countries. As originally enacted, redesignated subsection (a) authorizes the use of between $175 and $190 million annually, during fiscal years 1983, 1984, and 1985, for export promotion.

Subsection (b) also defines the term "export assistance" for purposes of subsections (b) and (c) as payments or other approopriate means used by the Secretary to reduce the price of U.S. agricultural commodities and products thereof sold for export or to reduce the effective rate of interest charged for credit in connection with such export sales. In addition, this subsection provides that in making export assistance available under this authority the Secretary must use the provisions of current law.

New subsection (c) provides that between the date of its enactment and September 30, 1983, the Secretary is required to use at least $90 million of Commodity Credit Corporation funds for export assistance in connection with U.S. value-added or high-value agricultural products. The Committee intends that the funds to carry out this subsection shall be derived from funds designated for export activities during fiscal year 1983 under subsection (a) of section 135 of the Omnibus Budget Reconciliation Act of 1982, as redesignated by the bill, or from funds for direct export credit loans under the fiscal year 1983 agriculture appropriation Act. New subsection (c) also directs that of the funds provided for in this subsection the Secretary shall use at least $20 million for export assistance for U.S. poultry and eggs; at least $15 million for export assistance for U.S. raisins; and at least $5 million for export assistance for U.S. canned fruit. The funds provided for under this subsection shall be used for price subsidies to the extent that credit subsidies would be ineffective to equalize price and credit subsidies of another country in connection with a particular commodity or product.

Expansion of markets for United States agricultural commodities and products

Section 203 provides specific authority for the Secretary of Agriculture to establish an export payment-in-kind (PIK) program.

Subsection (a) authorizes the Secretary to formulate and carry out a program to provide agricultural commodities and products thereof acquired by the Commodity Credit Corporation to U.S. exporters and users and foreign purchasers to encourage the development, maintenance, and expansion of markets for U.S. agricultural commodities and products thereof. Under this program, agricultural commodities and products thereof would be provided by the Commodity Credit Corporation to eligible recipients at no cost. The commodities that could be made available include wheat, feed grains, upland cotton, and rice, and their products, and any other agricultural commodities and products thereof acquired by the Commodity Credit Corporation.

Subsection (b) provides that in carrying out an export PIK program under this section, the Secretary must ensure that the program provides equal treatment to domestic and foreign purchasers and users of U.S. agricultural commodities or products thereof in any case in which the importation of a manufactured product made, in whole or in part, from a commodity or product thereof made available for export under the program would place domestic users of the commodity or product at a competitive disadvantage.

Subsection (b) also directs the Secretary, to the extent that agricultural commodities and products thereof are to be made available to foreign purchasers under an export PIK program, to provide all interested foreign purchasers an opportunity to participate in the program, with priority to be given to those foreign purchasers who have been traditional buyers of U.S. agricultural commodities and products thereof and who continue to purchase such commodities and products on an annual basis in quantities greater than the level of purchases in a previous representative period.

Subsection (b) also requires that Secretary to ensure, insofar as possible, that Commodity Credit Corporation stocks of agricultural commodities and products thereof, that are provided to eligible recipients under this section, be used in such a manner as to encourage increased use and avoid displacing usual marketings of U.S. agricultural commodities and products thereof either in the United States or in foreign markets. Under this subsection, the Secretary is also required to take reasonable care to prevent the resale or transshipment to other countries of the agricultural commodities and products thereof provided under this section and to prevent the use for other than domestic use in the receiving country of such commodities and products.

Subsection (c) authorizes the Secretary to provide supplemental distributions of CCC commodities and products thereof to foreign purchasers who sell in the importing country agricultural commodities or products thereof received from the Secretary under this section and who use the proceeds from such sales for the construction or rehabilitation of facilities in the importing country to improve the importing country's capability to handle, market, process, store, or distribute U.S. agricultural commodities or products thereof. Supplemental distributions under this subsection would be made with such commodities or products, in such amounts, and at such times as the Secretary considers appropriate, taking into account the extent to which the facility improvements have been made, the capability of the importing country to handle, distribute, and use additional commodities or products, and such other factors consistent with the purposes of this section as the Secretary determines appropriate.

Subsection (d) provides that the Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

Subsection (e) authorizes the Secretary to issue such regulations as are deemed necessary to carry out this section.

Subsection (f) provides that the authority provided in this section is in addition to and not in place of any other authority provided to the Secretary or the Commodity Credit Corporation under any other provision of law.

Limited use of wheat in the food security wheat reserve for export market expansion

Section 204 provides that, notwithstanding any other provision of law, effective only during the period beginning on the date of enactment of the bill and ending September 30, 1984, the Secretary of Agriculture may use up to 1.5 million metric tons of wheat from the food security wheat reserve for export payments in kind under the program authorized by section 203 of the bill. If wheat from the reserve is used as provided in this section, the Secretary of Agriculture must replenish the reserve with an amount of wheat equal to or greater than the amount used. Replenishment of the reserve under this provision must be completed by such date as practicable, but before October 1, 1984, and must be accomplished under the provisions for replenishment of the reserve currently set forth in section 302(b) of the Food Security Wheat Reserve Act of 1980. Section 302(b) of the 1980 Act authorizes acquisitions of stocks of wheat to replenish the reserve (1) through purchases from producers or in the market and (2) by designation of CCC stocks. The use of funds to purchase wheat must be authorized in appropriations Acts.

Market development funding

Section 205 amends section 1207(a)(5) of the Agriculture and Food Act of 1981 to express the sense of Congress that the Secretary of Agriculture should, and is requested to, expand (to the fullest extent possible) the market development activities of the Foreign Agricultural Service of the Department of Agriculture with particular emphasis on funding market development and cooperator programs at the same or greater real funding levels as in fiscal year 1971.

Value-added farm products and processed foods

Section 206 amends section 1207(a)(5) of the Agriculture and Food Act of 1981 to express the sense of Congress that the Secretary of Agriculture should, and is requested to, expand (to the fullest extent possible) the market development activities of the Foreign Agricultural Service of the Department of Agriculture with particular emphasis on funding an export market development program for value-added farm products and processed foods at a greater level than during fiscal year 1983.

United States Agricultural Trade Offices

Section 207 expresses the sense of Congress that, in order to further assist in the development, maintenance, and expansion of international markets for U.S. agricultural commodities and products thereof, the Secretary of Agriculture should increase the number of Agricultural Trade Offices in foreign countries to a minimum of 15. This section further provides that the Secretary is to consider the potential for growth of U.S. agricultural exports, including value-added products, in determining the number of, and location for, the trade offices.

Agricultural Export Credit Revolving Fund

Section 208 expresses the sense of Congress that, during fiscal year 1983, not less than $1 billion should be made available to the Agricultural Export Credit Revolving Fund established under section 4(d) of the Food for Peace Act of 1966, as added by section 1201 of the Agricultural and Food Act of 1981.

Export transportation of agricultural commodities

Section 209 provides that the cargo preference laws of the United States shall not apply to export activities of the Commodity Credit Corporation under which (1) stocks of agricultural commodities and products thereof acquired by the Commodity Credit Corporation are made available to U.S. exporters or users, or foreign purchasers, to encourage the development, maintenance, and expansion of export markets for U.S. agricultural commodities and products thereof, or (2) commercial credit guarantees are blended with direct interest-free credits from the Commodity Credit Corporation to reduce the effective rate of interest on export sales of U.S. agricultural commodities and products thereof. Section 209 also provides that this provision does not apply to any export activities implementing or carrying out any Commodity Credit Corporation agreement entered into prior to the date of enactment of the bill.

TITLE III—FOREIGN DONATIONS OF COMMODITY CREDIT CORPORATION STOCKS AND AMENDMENTS TO PUBLIC LAW 480

Expanded authority for the use abroad of Commodity Credit Corporation stocks

Section 301 amends section 416 of the Agricultural Act of 1949, which provides the Secretary of Agriculture with authority to donate surplus dairy products through foreign governments and public and nonprofit humanitarian organizations to needy persons in foreign countries, to extend this authority to include donations of other agricultural commodities and products acquired by the Commodity Credit Corporation. Under this provision, the commodities or products so donated must be used for the assistance of needy persons outside the United States. In addition, to facilitate the movement of donated commodities to needy individuals, the CCC is authorized to pay reprocessing, packaging, transporting, handling, and other charges, including ocean freight for overseas delivery, associated with the donated commodities or products, and receiving governments and organizations are authorized to barter or sell the commodities with the approval of the Secretary, for the benefit of needy persons as well as distribute the commodities directly. Any proceeds and services realized from the sale or bartering of donated commodities by public and nonprofit private humanitarian organizations must be used exclusively for activities approved by the Secretary to facilitate providing assistance to needy persons and specifically cannot be used by such organizations to offset operating and overhead expenses. Under this provision, the Committee intends that these proceeds or services would be used to help defray the expenses directly associated with providing food assistance to the needy people, such as the cost of transporting and distributing the donated commodities from the receiving port into the interior of the recipient country. It is not intended, however, that they be used to meet the administrative and overhead costs of the distributing agencies.

This section also provides that, to ensure that donations under this authority complement and are coordinated with other U.S. foreign assistance programs, such as those under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), they shall be coordinated through the mechanism designated by the President to coordinate assistance under Public Law 480 and shall be in addition to the level of assistance programmed under Public Law 480.

Expanded authority for the use of Commodity Credit Corporation stocks under Public Law 480

Section 302 amends title I of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) by adding a new section 116. The new section authorizes the President to use agricultural commodities and products acquired by the CCC to increase the level of agricultural exports under titles I, II, and III of Public Law 480 in a manner consistent with the purposes of that Act. The use of Commodity Credit Corporation stocks under this new section would be in addition to the level of assistance programmed under the law.

Famine relief

Section 303 (a) amends section 201 of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) by adding a new subsection (c). The new subsection provides that, in distributing agricultural commodities under title II of Public Law 480, the President shall consider the nutritional assistance to recipients and the benefits to the United States that would result from providing the commodities in the form of processed and protein fortified products.

The new subsection also directs the President, in distributing agricultural commodities under title II of Public Law 480, to take all feasible steps to ensure that approximately 55 to 60 percent of the total actual tonnage of the commodities distributed in each fiscal year (excluding conversion for grain equivalency) be in the form of protein fortified and processed products. In selecting commodities to meet the requirements of this provision, the President is further directed to consider the nutritional needs of the proposed recipients and the purposes of title II of Public Law 480.

Section 303(b) amends section 202(b) of Public Law 480 to provide that in using nonprofit voluntary agencies to distribute food commodities under title II of Public Law 480, the President must give consideration to any nutritional and developmental objectives established by those agencies based on their assessment of the needs of the various recipients.

Food for development programs

Section 304 amends section 302(c) of Public Law 480 to provide that in developing and carrying out Food for Development Programs under title III of Public Law 480 consideration shall be given to using the capability and expertise of U.S. nonprofit voluntry organizations and cooperatives.

The amendment also adds a new paragraph to section 302(c) that provides that, to the extent feasible, the total value of all agreements entered into under title III of Public Law 480 in any fiscal year must equal approximately 17 to 20 percent of the total value of all agreements under title I for the same fiscal year. If this target for title III agreements is not reached, the President must report to Congress, in detail, the reasons for the lack of acceptable projects that qualify for title III agreements. This report must also provide a description of the efforts by the United States to assist eligible countries, under section 303(a) of Public Law 480, in identifying appropriate projects for title III assistance.

This section further amends section 302 by adding a new subsection (d). The new subsection provides that, in order to help lessen the severity of food shortages in famine-prone countries, agreements entered into under title III each year must, to the extent feasible, provide that the commodities made available, or funds generated from the sale of commodities made available, under the agreements be used to establish rural projects at the farm and village level in famine-prone countries, especially in sub-Saharan Africa. The projects should emphasize postharvest food conservation and provide for the maximum feasible participation in the development and administration of such projects by a representative number of ther intended project beneficiaries. Under this provision, the agreements are required to specify the measures to be taken to implement the requirements described in the preceding sentence, and to ensure that the commodities made available under the agreements or the funds generated from the sale of such commodities are used primarily to benefit the poor in the participating countries.

TITLE IV—AGRICULTURAL COMMODITY EXPORT SALES AND USE

Commodity Credit Corporation sales of extra long staple cotton

Section 401 amends section 407 of the Agricultural Act of 1949 to provide that, notwithstanding any other provision of section 407, effective beginning 30 days after enactment of this provision, stocks of extra long staple cotton held by the Commodity Credit Corporation may be sold for unrestricted use at such price levels as the Secretary determines appropriate to maintain and expand export and domestic markets for such cotton. Generally, under the current provisions of section 407 of the Agricultural Act of 1949, the Commodity Credit Corporation may not sell any extra long staple cotton for unrestricted use at less than 15 percent above the current loan rate for extra long staple cotton. The provision in the bill would allow the CCC to sell its stocks of extra long staple cotton at price below the current level.

Grain sales to the Union of Soviet Socialist Republics

Section 402 expresses the sense of Congress that, as soon as practicable after enactment of the bill, the President should take action to initiate negotiations with the government of the USSR to conclude a long-term agreement for the purchase by that government of U.S. produced grain.

Barter of agricultural commodities

Section 403 amends the provisions of section 4(h) of the Commodity Credit Corporation Charter Act, relating to the barter of agricultural commodities acquired by the CCC for strategic and critical materials, in the following respects.

Paragraph (1) provides that the CCC shall, to the maximum extent practicable, in consultation with the Secretary of State, and subject to terms and conditions prescribed by the Secretary of Agriculture, accept strategic and critical materials in exchange for agricultural commodities acquired by the CCC. Currently, CCC is authorized, but not required, to barter for strategic and critical materials.

Paragraph (2) provides that, in addition to using normal commercial trade channels in connection with barter activities under section 4(h), the Secretary shall, insofar as practicable, take action to avoid displacing usual marketings of U.S. agricultural commodities and products thereof, and take reasonable precautions to prevent the resale or transshipment from the receiving country, or the use for other than domestic purposes by the receiving country, of agricultural commodities used for barter. The Committee intends that the limitations set forth in this paragraph shall apply to all barter transactions of the CCC under authority of this section, including any exchanges for petroleum products as described in paragraph (4) below.

Paragraph (3) makes a technical amendment to the provision relating to CCC reimbursement under section 4(h) for strategic materials transferred to the national stock pile as provided in the Strategic and Critical Materials Stock Piling Act. Under current law, this reimbursement is to be made in an amount equal to the fair market value of the materials as determined by the Secretary of the Treasury. This amendment provides that the determination will be made by the Administrator of General Services, who is the official responsible for Federal procurement practices, to conform the statute to the current practice.

Paragraph (4) provides that, if the volume of petroleum products stored in the Strategic Petroleum Reserve (SPR) is less than the level prescribed under section 154 of the Energy Policy and Conservation Act, CCC shall, to the maximum extent practicable, with the approval of the Secretary of Agriculture and in consultation with the Secretaries of Energy and State, accept petroleum products produced abroad in exchange for agricultural commodities acquired by CCC. Petroleum products so acquired shall be transferred by CCC, without reimbursement, to the Secretary of Energy to be placed in the SPR. Under this provision, the term "petroleum products" is intended to include crude oil, as well as residual fuel oil and refined petroleum products. Further, the prescribed level for SPR under section 154 of the Energy Policy and Conservation Act is understood to be the level provided in the Strategic Petroleum Reserve Plan established under section 154.

Economic Support Fund

Section 404 amends, effective October 1, 1983, section 531 of the Foreign Assistance Act of 1961 to direct the President to use at least 20 percent of the funds appropriated to the Economic Support Fund for the purchase of U.S. agricultural commodities. This section further directs that at least one-half of the amount used to purchase agricultural commodities, as directed in this section, be used to purchase processed or value-added products of such commodities

TITLE V—CONGRESSIONAL REPORTS

Report of the Secretary of Agriculture on the use of export subsidies

Section 501(a) requires the Secretary of Agriculture, in consultation with the United States Trade Representative, to submit to the Senate Committee on Agriculture, Nutrition, and Forestry and the House Committee on Agriculture, by July 1, 1983, a report on the use of export subsidies in connection with agricultural exports by foreign countries competing with the United States for world markets. This report must include, but is not limited to: (1) a listing of each foreign country or organization of countries that uses export subsidies on agricultural commodities or products, (2) a description of the amount and kind of such subsidies on each agricultural commodity or product, and (3) an analysis of the effect of such subsidies on the U.S. economy, and on the agricultural sector in particular, including the extent to which such subsidies have resulted in reduction or loss of foreign sales over the last 10 years.

Section 501(b) defines, for purposes of the report required under subsection (a), the term "export subsidies" to mean the use by any foreign country or organization of foreign countries, or instrumentality thereof, of any payments to producers, exporters, foreign purchasers, or lenders, or other means used, in connection with the export sale of agricultural commodities or products thereof, produced in such country or organization of countries, that have the effect of (1) lowering the export price of such commodities or products below the level otherwise necessary to cover the production and processing costs thereof in such country, or (2) lowering the interest costs or other carrying charges below the level at which such costs or charges would otherwise be incurred.

Report on long-term agreement negotiations

Section 502 directs the President to submit to Congress by March 31, 1983, a report describing his intentions and actions with respect to negotiating a long-term grain sales agreement with the Soviet Union to be effective on October 1, 1983 and providing for a higher minimum purchase requirement than the agreement currently in effect.

Report on bilateral agreements

Section 503 directs the Secretary of Agriculture to submit to Congress, by July 1, 1983, a report describing the growth of and prospects for bilateral agricultural trade agreements and the potential effect of such agreements international on trade.

Report on the status of Commodity Credit Corporation barter activity

Section 504 directs the Secretary of Agriculture to submit to Congress, within 90 days after enactment of the bill, a report describing the status of programs, being carried out under section 4(h) of the Commodity Credit Corporation Charter Act and other provisions of law, that relate to the barter or exchange of commodities owned by the Commodity Credit Corporation for materials and products produced in foreign countries.

Secretary of State report

Section 505 directs the Secretary of State to submit to Congress, by July 1, 1983, a report describing all programs administered by the Secretary of State under which surplus domestic agricultural commodities and products thereof are or could be distributed in foreign countries. In particular, this report shall include a description of the types of agricultural commodities distributed under these programs over the 10-year period preceding the date of enactment of the bill; the names of the countries receiving such distributions; the price (if any) charged for such distributions; the credit terms under which such distributions were made; and recommendations concerning how these programs could be used to expand exports of surplus domestic agricultural commodities and products thereof.

ADMINISTRATION VIEWS

At the time of filing this report, the Committee had not received a report from the Department of Agriculture setting forth the Administration's views on the legislation.

Secretary of Agriculture John R. Block and Assistant Secretary of the Treasury for International Affairs Marc E. Leland testified before the Committee on agricultural export legislation. Their testimony follows:

STATEMENT OF JOHN R. BLOCK, SECRETARY OF AGRICULTURE, BEFORE THE SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY, FEBRUARY 25, 1983

Mr. Chairman, I appreciate the opportunity to discuss with the Committee the legislative proposals for programs to assist in the export of U.S. agricultural products.

We support useful measures to increase exports in today's difficult international marketing climate for agriculture. We have the authority to implement export promotion programs and have already done so on a selective basis which will make them most effective. We have used our authorities to develop the Egyptian wheat flour sale, for example, and we will continue to take such necessary actions when warranted.

These tools, however, are not applicable to all market situations; they must be developed in a selective manner to meet specific situations where we face subsidized competition. We must ensure that we are effectively expanding our demand base and not displacing other U.S. sales of any type or interfering with existing trade flows from other exporting countries that compete fairly in the world marketplace.

ADMINISTRATION POLICY ON TRADE AND AGRICULTURE

In his State of the Union Message, President Reagan made very clear his position on trade. He proposed a broader strategy in the field of international trade that increases the openness of the world trading system and is fairer to America's farmers in the world marketplace. He asked for new negotiating authority to remove barriers and to get more of our products into foreign markets. However, in seeking a broader strategy, the objective remains one of promoting free trade and increasing the flow of American goods.

Previously, the President has taken significant actions to enhance agricultural trade. He lifted the Soviet grain embargo, and he aggressively sought to restore American agriculture's reputation as a reliable supplier. He explicitly stated that restrictions will not be imposed on farm exports because of rising domestic prices, that farm exports will not be singled out as an instrument of foreign policy and that world markets must be freed of trade barriers and unfair trade practices. Most recently, he signed legislation to ensure the sanctity of export contracts for U.S. agricultural commodities.

The Administration's aim is to preserve and extend the benefits of freer trade. To do this will require resisting protectionist pressures at home while continuing to urge foreign governments to eliminate their more objectionable trade-distorting policies.

The practices of some foreign governments pose extremely difficult issues for U.S. trade policy. The European Economic Community now engages in massive subsidized export of agricultural products to dispose of the surpluses created by its high internal price-support program. Other countries, such as Japan, severely limit market access. These measures depress world prices of agricultural products, imposing substantial costs on U.S. producers in a sector where the United States holds a clear comparative advantage.

The United States traditionally seeks to induce other nations to move in the direction of freer trade and away from government interference, and we will continue to do that. This policy has served this nation and the agricultural economy well. U.S. farm exports tripled between 1971–81—creating jobs and many other economic benefits.

However, there is a potential role for carefully targeted measures, explicitly temporary, aimed at convincing other countries to reduce their trade distortions. There are obvious risks that this could lead to a trade war in which everyone will lose. The production from two out of every five acres planted in this country is exported and we must preserve the market system which will yield the benefits of our comparative advantage. Protecting an inefficient industry is contrary to free trade and is objectionable protectionist policy. However, a recognition that a government has the obligation to give an efficient industry access to an open market is another story. We intend to fulfill our obligation to this nations' farmers.

CURRENT TRENDS IN AGRICULTURAL EXPORTS

The value of our agricultural exports is down—by close to $5 billion in fiscal year 1982 from the record $43.8 billion in fiscal year 1981, with indications of a further decline in the current year. While part of this decline is due to lower prices, export volume for most commodities is also down.

We share with the rest of the U.S. economy the negative effect on exports of the global recession and the strong dollar. But we also face problems that are peculiar to agriculture: our situation is aggravated by record world crops of grain and oilseeds, huge supplies in both importing and exporting countries, and by a number of special problems that affect our competitive position.

One important aspect of the current slump in exports is the fact that not only are U.S. agricultural export totals declining, the U.S. share of the world market also has turned down.

This is readily apparent in wheat and feedgrains. Despite the fragile condition of the world economy, world wheat consumption and import demand have continued relatively strong. U.S. wheat exports, however, are declining sharply this year, after a large increase last year. In the absence of any efforts by the European Community to restrain subsidized exports, we project a decline in our wheat shipments in the neighborhood of 7 million tons for 1982/83, while those of our competitors are projected to increase by about 6 million tons.

World production and consumption of feed grains has also been increasing. However, production has been increasing faster than consumption for the past two years, and the level of world trade has dropped.

This has brought a decline in U.S. feed grain exports, as might be expected, from 72.4 million tons in 1980/81 to a projected 55.9 million tons this year. But we are losing not only because of slack demand—we are losing to competition. The increase in shipments held by other suppliers explains some of the U.S. decline in feed grain exports. The rest comes primarily from the drop in demand, particularly from the USSR and Eastern Europe.

We are concerned, also, about the drop in exports for numerous other commodities including cotton, soybean meal and oil, rice, and poultry. Moreover, our share of the world cotton market, for example, fell from 40 to just over 30 percent from 1980 to 1982. Our meal and oil share went from 40 to 30 percent in three years and broiler share is down by one-third.

There are many reasons for these export losses. The greatest adverse effects on our exports stem from a worldwide recession and a strong U.S. dollar overseas. Other reasons include the increased use of subsidies by competitor nations, and the continuing effect of the 1980 embargo on sales to the Soviet Union, when the U.S. share of the Soviet market for grain plunged from about 70 percent to less than 24 percent.

After President Reagan lifted the embargo in 1981, U.S. exports to the Soviets increased—reaching 13.9 million tons in fiscal 1982. This was an increase of more than two-fifths from the embargo level and close to the level of pre-embargo shipments. However those 13.9 million tons still represented only 35 percent of the USSR grain market last year.

And in the current year, the Soviet market remains the single largest market for grains—more than doubling in size in four years—and U.S. farmers have lost that growth to competitor countries. The embargo stimulated production in those countries, and they have increased their sales to other markets as well as to the Soviet Union.

The decline of U.S. agricultural exports is a cause for serious concern. It means that we have serious competitive problems that prevent us from holding our own with other exporting countries.

Our projections for the next two years show that U.S. exports will continue to decline unless we act forcefully to restore our position.

WHAT ARE WE DOING

We are streamlining and adapting the tools provided under all of our existing authorities to make them more effective and to reverse the decline. We have taken new initiatives and are studying others to bolster U.S. agriculture's competitive ability.

We are especially interested in the results from the new ways in which we are using export credit, particularly the blended credit program.

This program was developed primarily to compete with foreign subsidies and to penetrate markets in those developing countries, which, as a group, were a leading growth market until the credit crunch sharply reduced their ability to buy. We felt blended credit would be an effective tool: (1) to meet subsidized competition, and (2) to facilitate financing by importing countries.

The blended credit program uses Commodity Credit Corporation (CCC) GSM-5 direct credit and GSM-102 commercial export credit guarantees. Direct credit, offered interest-free, is combined with credit guarantees into a single package to produce an interest rate competitive with those offered by other suppliers.

We wanted to generate immediate sales of U.S. agricultural products that would not otherwise have been made and, for the longer term, to lay the groundwork for continuing U.S. sales when economic conditions improve.

The blended credit program was announced last October 20 at $1.5 billion over three years. One hundred million in direct, interest-free government credit was to be blended with $400 million in credit guarantees during fiscal 1983, with like amounts scheduled for each of the next two fiscal years.

The response from foreign governments in importing nations was immediate and enthusiastic. By year's end, the entire $500 million had been allocated to finance exports of more than 2.5 million tons of U.S. wheat, corn, vegetable oil, soy meal, and cotton.

President Reagan followed this up on January 11 by allocating $250 million more in interest-free credit to be blended with $1 billion in credit guarantees to finance at least $1.25 billion in additional blended credit export sales during fiscal 1983.

One month after the announcement, the first credits were approved under the new program—for the sale of corn, rice, soybeans, and lumber to Jamaica.

The first $500 million of blended credit was allocated to eight countries. These included Morocco where, with blended credit and straight credit guarantees, we captured virtually all of the almost 2-million-ton wheat market, which has been dominated by subsidized wheat from France.

Another credit package, negotiated on the scene with the Yemen Arab Republic, allows that country to increase its imports of wheat and rice, giving U.S. agriculture 100 percent of those markets this year.

Elsewhere, to give a few examples, the first use of blended credit permitted Pakistan to increase imports of U.S. vegetable oil; it opened the door for the U.S. to penetrate the new and growing Philippine market for soybean meal, which has been supplied almost entirely by Brazil, and it cleared the way for the first substantial sale of U.S. cotton to Yugoslavia in almost 15 years.

We have also completed a supply agreement with Mexico, which I signed last week, using private export credit. It covers 6.2 million tons of U.S. corn, sorghum, soybeans and other commodities during 1983 and provides over $1 billion in U.S. credit guarantees to facilitate these sales.

This aggressive use of credit in new ways and with existing programs is important beyond the increase in export totals that have been generated. We are achieving the objective of market penetration in the face of competitor export subsidies and helping our exporters into markets that, while currently suffering some financial constraints, offer good growth potential as conditions improve.

To meet our needs in this effort, the authorization for the GSM-102 program in FY 1983 has been increased to $4.8 billion from $2.8 last fiscal year.

We continue, of course, to use Public Law 480 to support market expansion, and we made a special effort this fiscal year to speed up the programming of P.L. 480 Titles I/III. As a result, agreements signed during the first quarter of fiscal 1983 totaled $391 million, representing 50 percent of total dollar allocations for the year. This is well above the 10-year average for this period and exceeds the dollar amount and the percentage signed for any of the 10 years.

In our budget requests for fiscal 1984, we have asked for an increase of $13 million in the Title I/III sales over FY 1983 to $872 million. This level of funding will provide long-term financing for about 3.7 million metric tons of commodity exports.

The Committee is familiar with our efforts to negotiate an end to the use of subsidies by the European Community—subsidies that undercut market prices, erode the U.S. share of traditional markets, and absorb growth that would have gone to U.S. producers.

We have met with the Community three times since the GATT Ministerial last November failed to come to grips with the issue of agricultural export subsidies. A bilateral report on the status of these consultations is due in March. While we are not necessarily confident that we can negotiate a satisfactory solution with the EC very soon, we will continue to make every effort to do so and at the same time continue policies that help us remain competitive.

This Administrative is committed to resolving this issue by negotiation, but meanwhile it is imperative—and only fair—that we do all that we can to defend our markets.

I have described our major efforts in this regard—blended credit, credit guarantees, and others—and I am pleased with their results.

The recent arrangement for the sale of 1 million tons of U.S. wheat flour to Egypt is one type of effort, and it is working out very well. This was a limited, selective action intended to make U.S. wheat flour competitive in price in the face of export subsidies of other nations.

In the past few years, the Egyptian market for flour imports has been dominated by the European Community through its use of export subsidies. In January we worked out an arrangement with the Egyptians that allowed us to capture that market through the creative use of CCC credit guarantees and competitive pricing. The package includes credit guarantees under GSM-102 along with a competitive price to be made possible through the awarding of CCC-owned wheat to American millers who bid successfully for the business. This is based on a negotiated price of $155 a ton delivered to Egypt.

As I said, the Egypt flour sale is one type of payment-in-kind arrangement—in this case providing for a payment of CCC-owned wheat to flour millers to enable them to mill and export flour at a competitive export price which otherwise would not be possible. There are other types of possible export PIK arrangements—each permitting us to use CCC stocks to help U.S. exporters be more competitive.

The Egypt flour sale was possible under authorities of the Commodity Credit Corporation Charter Act, and we obviously could use those authorities again. Indeed, we will use them again when we feel it is warranted.

We have made considerable use of existing authorities in ways that will increase our agricultural exports, especially in those areas where we face subsidized competition. We view some of these uses as only temporary, but we will continue to use them as necessary, and in each action we plan to meet the following criteria:

Selectivity.—It must be targeted to selected countries—it would not be a general subsidy program.

Additionality.—It would not displace other U.S. sales—cash, credit, or concessional.

Non-interference.—It would not interfere with existing trade flows from other exporting countries that compete fairly in the world market place—i.e. those that do not use export subsidies. It would not cut into their normal trade.

Demand expansion.—It would expand the demand base—not simply redistribute existing trade.

International Rules.—It would be consistent with our international obligations.

SUMMARY

In summary, Mr. Chairman, we have and will continue as necessary to use our existing authorities in innovative ways to meet the competition and help maintain market share.

Our hope is that other countries will realize that we will not stand idly by when we lose markets because of unfair competition or trade restrictions. And when they understand this, and recognize that all could be losers in this type of competition, we would hope that we could move to freer trade and relieve the United States from the burden of making virtually all the stocks and production adjustments necessary to meet the changing conditions of world agriculture.

STATEMENT OF HON. MARC E. LELAND, ASSISTANT SECRETARY OF THE TREASURY FOR INTERNATIONAL AFFAIRS, BEFORE THE SENATE AGRICULTURE COMMITTEE

U.S. AGRICULTURAL EXPORTS AND THE WORLD ECONOMY

I welcome this opportunity to testify on several legislative proposals designed to increase U.S. agricultural exports, reduce burdensome government stocks, and meet foreign subsidized competition. A variety of measures have been proposed to achieve these objectives, including donations of government stocks to needy countries, the creation of a revolving export credit fund, the subsidized export of commodities owned by the Commodity Credit Corporation (CCC), international barter of CCC commodities for strategic materials, and the negotiation of a new U.S.-USSR grain agreement.

The Administration shares the concern of the sponsoring Senators and the U.S. farm community about the importance of agricultural exports to U.S. farmers and to the U.S. economy in general. Government-held stocks of farm commodities *are* extremely expensive—and growing rapidly—and measures must be taken to reduce this burden to the Federal budget by bringing supply and demand more into line. We are also very concerned, as you are, about the adverse effects of foreign export subsidies on potential U.S. export sales and farm income.

Secretary Block has outlined the steps we are taking to address these concerns: (1) providing government support for agricultural exports, including the new blended credit program, to counter foreign subsidies; (2) reducing burdensome government stocks through a domestic payment-in-kind (PIK) program; and (3) negotiating in international forums such as the GATT and bilaterally with European Community in particular. I would like to discuss these issues from the broader perspective of recent developments in the world economy.

Importance of U.S. Agricultural Exports

Agriculture is one of the most trade-dependent sectors of the U.S. economy. Approximately two-fifths of U.S. agricultural production now goes into export—nearly double the percentage for U.S. production of goods as a whole. U.S. agricultural exports rose dramatically from $7.4 billion in 1970 to $44.3 billion in 1981, while increasing their share of total U.S. exports from 17 to 19 percent over this period.

Last year, however U.S. agricultural exports declined by more than 16 percent in value terms to about $37 billion. They are expected to decline further in 1983. Why has the value of our exports fallen? Is the EC primarily to blame, or have general economic factors been the cause of lower farm prices and U.S. export sales? Are further government measures to boost exports necessary to improve our trade balance, to raise U.S. farm income, and to maintain our share of world agricultural markets?

Certainly not all of the blame for U.S. agricultural difficulties can be laid at the EC's door. We have not done so. We recognize fully that other economic factors—increased world production and the global recession, resulting in a decline in prices; the debt problems of the developing countries; and to some extent a strong dollar—have in fact had a major impact on U.S. agriculture in recent months. U.S. exports of non-agricultural goods also declined by nearly 10 percent in value in 1982, while world trade generally fell for the first time since World War II. Our agricultural exports to Mexico, one of our largest markets and a key developing country experiencing serious debt problems, declined by nearly 50 percent in FY 1982, while our total exports to Mexico in calendar year 1982 dropped by nearly $6 billion, more than with any other single country.

The Policy Response

As these facts demonstrate, many of the problems facing agricultural exporters are faced by other exporters as well. And given the current international economic environment, we should not expect a dramatic upturn in our agricultural or non-agricultural exports in the near future. Indeed, they may decline further as debt-ridden LDCs reduce spending to adjust to current realities—as they must.

As in the trade area generally, the economic response to declining exports is not massive government subsidies. Our primary trade objective is not to maintain artificially a given level of U.S. exports in any particular sector—in order to boost overall exports—but to assure that U.S. exports can compete fairly in world markets.

But unfair competition must be dealt with. The preception of unfairness due to the practices of other governments is particularly strong in the agricultural area. It is obvious that other governments subsidize agricultural exports to dispose of surplus production, rather than adopting policies that lead to market-oriented adjustments in supply and demand. International rules dealing with these practices are also much weaker than those for industrial products. The process of improving international discipline is painfully slow, but we have reached international agreement in the GATT to study the effects of agricultural subsidies on world trade and to consider possible changes in existing rules. I wouldn't want to over-promise what these discussions will accomplish. But they are an attempt to get things moving.

Whether further U.S. export subsidies, beyond the $1.75 billion blended credit program are needed as strategic measure to encourage international movement toward agreement on better discipline has not been decided. This Administration is not generally disposed to enter into broad export subsidy programs, for any product. Our reasons are both economic (subsidies are costly to U.S. taxpayers and distort the market) and political (other nations are likely to respond in kind, or may retaliate against other U.S. exports).

We should not attempt to use direct export subsidies to counter the effects of a strong dollar on U.S. agricultural exports:

> (1) Such subsidies, if successful in increasing the total value of U.S. exports, will increase the demand for U.S. dollars and hence further strengthen the dollar. This would (a) hurt other U.S. exports which don't receive subsidies and (b) hurt U.S. import-competing industries such as high technology industries.
>
> (2) Export subsidies are self-perpetuating: if they cause the dollar to appreciate, even greater subsidies will be required in the future to maintain export sales.

Furthermore, it may prove impossible to constrain our subsidies to a small percentage of trade in a specific product. Over time, maintenance of a market share is likely to require that more and more of our exports of that product be subsidized, at substantial cost to the Federal Government.

Let there be no doubt that this Administration supports U.S. agriculture. We will not stand idly by while U.S. farm exports are disadvantaged in international markets. Yet we must recognize the risks involved and proceed with realism.

Cost Estimate

I.

In accordance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate, the Committee estimates that enactment of the Committee bill would result in net savings to the Federal Government of $191 million in fiscal year 1983, $269 million in fiscal year 1984, and $319 million in fiscal year 1985. Additional, but smaller, savings would result in fiscal years 1986 through 1988. The cost estimates provided by the Congressional Budget Office were the basis for the Committee's estimate.

II.

In accordance with the Congressional Budget Act of 1974, the Congressional Budget Office prepared the following cost estimate:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., March 15, 1983.

Hon. JESSE A. HELMS,
Chairman, Committee on Agriculture, Nutrition and Forestry, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached revised cost estimate for the Agricultural Export Equity and Market Expansion Act of 1983.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

JAMES BLUM
(For Alice M. Rivlin, Director).

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: Not yet assigned.
2. Bill title: The Agricultural Export Equity and Market Expansion Act of 1983.
3. Bill status: As ordered reported by the Senate Committee on Agriculture, Nutrition and Forestry, March 3, 1983.
4. Bill purpose: This bill requires the sale of 150,000 metric tons of dairy products owned by the Commodity Credit Corporation in each of fiscal years 1983, 1984 and 1985. One half of the proceeds from the sale of dairy products in each fiscal year must be used for export assistance for agricultural commodities to equalize the price and credit subsidies of other nations. The bill also requires the Commodity Credit Corporation (CCC) to use at least $90 million in fiscal year 1983 for value-added or high value agricultural products.

This bill gives the Secretary of Agriculture the authority to provide agricultural commodities at no cost to exporters, users and foreign purchasers to encourage the development, maintenance, and expansion of export markets. Up to 1.5 million metric tons of wheat in the Food Security Wheat Reserve may be used for these purposes. In addition, the bill exempts from cargo preference laws blended credit program exports and exports subsidized by payment-in-kind.

The bill expands current authority for the barter or sale of CCC-owned commodities and for their use under P.L. 480 to increase program levels. Beginning in fiscal year 1984, the President is required by the bill to use a minimum of 20% of the funds appropriated to the Economic Support Fund for the purchase of domestic agricultural commodities, half of which must be processed or value-added products. The bill permits the sale of CCC stocks of extra long staple cotton, and requires the barter of CCC agricultural commodities for petroleum if the volume of petroleum stored in the Strategic Petroleum Reserve is less than prescribed in the Energy Policy and Conservation Act. The bill also requires several reports to Congress.

5. Estimated cost to the Federal Government: This bill would result in a net savings to the federal government, as shown in the following table.

[By fiscal years, in millions of dollars]

	1983	1984	1985	1986	1987	1988
Estimated budget authority	−191	−269	−319	−169	−136	−99
Estimated outlays	−191	−269	−319	−169	−136	−99

The budget impact of this bill falls within budget function 350.

Basis of estimate: CBO estimated dairy product sales of $225 million in each of fiscal years 1983 through 1985, assuming sales of 100,000 metric tons of butter at $1,825 per ton, 10,000 metric tons of cheese at $1,200 per ton, and 40,000 metric tons of nonfat dried milk at $750 per ton. Prices reflect current F.O.B. European port prices adjusted for transportation costs. Storage costs would also be saved under this bill, with savings estimated to be $16 million in fiscal year 1984, $26 million in 1985, and $31 million annually thereafter.

One half of the $225 million in each fiscal year must be spent for export assistance. CBO assumed expenditures would be used in the current blended credit program, in which agricultural exports are financed by $10 million of direct, interest-free government loans, combined with $40 million of guaranteed loans from private lenders at market interest rates. Thus, each $100 million of new direct loans, when matched with guaranteed loans, increases total export credit by $500 million. The direct loans are assumed to be repaid in equal amounts over three years. Under these favorable credit terms 50% of the exports shipped in the first year are assumed to be additional—that is, not displacing commercial sales that would have occurred without new credit. Additional exports are assumed to decline to 45% in the second year and 40% in the third year because of market saturation and competing exporters responding with similar subsidies. Thirty percent of this export credit is assumed to be used for wheat, 30% for corn, 15% for soybeans and 25% for other commodities. Increased wheat, corn, and soybean exports result in decreased price support expenditures. The following table shows the outlay impact from the major provisions of Title I

ESTIMATED OUTLAY IMPACT OF TITLE II

[By fiscal years, in millions of dollars]

	1983	1984	1985	1986	1987	1988
Sale of dairy products	−225	−241	−251	−31	−31	−31
Blended credit direct loans	113	75	38	−113	−75	−38
Price support payments	−79	−103	−106	−25	−30	−30
Total	−191	−269	−319	−169	−136	−99

No budget impact is estimated for the required $90 million of export assistance for value-added agricultural products, because it is expected that the Administration will spend such sums in 1983 under current policies. The Administration has recently increased its blended credit program by $350 million over the $175 million required in the Reconciliation Act of 1982. The expenditure of $90 million would affect export commodities that have no significant price support program impact.

The expanded authorities to use a payment-in-kind program to subsidize exports, and the availability of the Food Security Wheat Reserve for this action, the sale of CCC extra long staple cotton stocks, and the barter and foreign donation of agricultural commodities are expected to have no budget impact, because existing authorities appear sufficient to meet the objectives of the Administration under prevailing market conditions. Requiring the President to spend 20% of funds appropriated to the Economic Support Fund on agricultural commodities, would increase purchases of agricultural commodities about $400 million over current levels, but would only affect total spending if it results in reduced priced support payments. The use of the Economic Support Fund requires careful programming of country needs with commodity purchases and shipments. CBO cannot determine at this time whether additional commodities would be purchased that would result in savings to CCC price support programs.

Exchanging agricultural commodities for oil produced abroad will reduce federal offbudget outlays for the Strategic Petroleum Reserve. The savings will be a function of the volume and timing of the oil acquired, since oil acquired through trade substitutes for oil which would have been purchased. There is no basis for estimating the potential savings from this provision, in the absence of specific implementation plans.

6. Estimated cost to State and local governments: None.

7. Estimate comparison: None.

8. Previous CBO estimate: On March 11, 1983, the Congressional Budget Office prepared a cost estimate for this bill. This estimate supersedes the previous one, and includes savings of storage costs that were not shown in the March 11 estimate.

9. Estimate prepared by: Howard Conley Joe Whitehill.

10. Estimate approved by:

C. G. NUCKOLS
(For James L. Blum,
Assistant Director for Budget Analysis).

REGULATORY IMPACT EVALUATION

In accordance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact that would be incurred in carrying out the Committee bill.

NUMBER OF INDIVIDUALS AND BUSINESSES AFFECTED

The Committee bill mandates the export sale of Commodity Credit Corporation owned dairy products. Further, it authorizes an export payment-in-kind (PIK) program which is based on increasing exports of U.S. agricultural commodities through the use of surplus stocks. Finally, the bill expands the current authority, for use abroad, of CCC stocks and requires several reports on export subsidies used by other nations in the case of their agricultural exports and other issues relating to international trade.

More specifically, the bill: (1) requires the Secretary of Agriculture to sell for export at least 150,000 metric tons of CCC dairy stocks in each of the fiscal years 1983, 1984, and 1985; (2) requires the Secretary to use funds equal to one-half of the proceeds from the sale of dairy products in clause (1) and $90 million in 1983 to carry out export expansion activities including value-added or high-value agricultural products produced in the United States; (3) authorizes an export PIK program that provides agricultural commodities and products acquired by CCC to be tendered at no cost to exporters, users, and foreign purchases to encourage foreign market development for U.S. commodities; (4) authorizes the use of up to 2 million tons of wheat from the food security wheat reserve to carry out an export PIK program for wheat for fiscal years 1983 and 1984; (5) authorizes the use of CCC stocks to increase the level of assistance otherwise programmed under titles I, II, and III of Public Law 480; (6) expands the authority under current law to donate CCC agricultural commodities and products overseas; (7) requires the President to use not less than 20 percent of the funds appropriated for the Economic Support Fund to purchase U.S. agricultural commodities, of which at least one-half must be processed or value-added products; and (8) requires various reports.

The Committee bill is not a regulatory measure in the sense of establishing a comprehensive scheme of regulatory requirements that must be adhered to by select segments of the economy. Furthermore, the major provisions of the bill involve the disposition of commodities held by the Government. These dispositions would involve sales, donations, or payments in kind.

Participation by farmers, processors, shippers, nonprofit organizations, and foreign governments would be voluntary under the bill. Those who receive commodities from the Secretary of Agriculture will be subject to a certain amount of regulation to assure accountability and compliance with the requirements of the bill.

The Committee notes that in most instances, however, program regulations are already in place. Some modifications or adjustments in existing programs would be necessary depending on the type of use in the particular program.

Any increase in present regulations will not place additional burdens on participating individuals or business enterprises. However, to meet certain requirements of the bill, some amendment of current regulations and issuance of new regulations would be necessary to implement the provisions of this legislation.

ECONOMIC IMPACT

Estimating the potential economic impact of the Committee bill is difficult because of the complexity of the economic system and the interrelated nature of various sectors both domestically and internationally.

In general, however, the Committee bill would result in expanded exports of U.S. agricultural commodities. The economic benefits of such increased exports would extend throughout the U.S. economy. With 20 percent of the Gross National Product of the U.S. economy tied to agriculture, the increase in economic activity would be widespread. The provisions of the Committee bill requiring export assistance for value-added and high-value exports would further enhance the economic benefits since such exports generally require some processing and addition of value, which means more jobs and economic activity domestically for each dollar of such exports.

Additional economic benefits would accrue in the form of higher farm prices, increased agricultural trade, reductions in surplus Government stocks, and reductions in Government outlays associated with farm programs.

PERSONAL PRIVACY ACT

The bill would not have any impact on the personal privacy of the individuals affected.

PAPERWORK IMPACT

Any Government program which provides financial assistance must have clearly defined regulatory guidelines and a certain amount of paperwork to ensure proper program administration. The amount of paperwork involved would be comparable to that required under similar Government programs.

ROLLCALL VOTE

In accordance with paragraphs 7(b) and 7(c) of rule XXVI of the Standing Rules of the Senate, it is announced that a motion was offered to adopt the provisions of S. 251 which require the Secretary of Agriculture to sell for export, at not less than the minimum prices established in the International Dairy Arrangement, at least 150,000 metric tons of Commodity Credit Corporation dairy stocks in each of the fiscal years 1983, 1984, and 1985. The motion was approved by a 9 to 4 vote as follows:

Yeas: Mr. Boschwitz, Mr. Jepsen, Mrs. Hawkins, Mr. Wilson, Mr. Hatch (by proxy), Mr. Zorinsky, Mr. Melcher, Mr. Heflin, and Mr. Helms.

Nays: Mr. Lugar, Mr. Cochran, Mr. Huddleston, and Mr. Dixon (by proxy).

CHANGES IN EXISTING LAW

In compliance with paragraph 12, of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown is roman):

OMNIBUS BUDGET RECONCILIATION ACT OF 1982

* * * * * * *

SEC. 135. *(a)* Effective for each of the fiscal years ending September 30, 1982, September 30, 1984, and September 30, 1985, the Secretary of Agriculture shall use not less than $175,000,000 nor more than $190,000,000 of funds of the Commodity Credit Corporation for export activities authorized to be carried out by the Secretary or by the Commodity Credit Corporation under the provisions of law in effect on the date of enactment of this section, notwithstanding the fact that the activity may not be included in the budget program of the Corporation. [The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation. The authority provided in this section shall be in addition to, and not in place of, any authority granted to the Secretary of Agriculture or the Commodity Credit Corporation under any other provision of law.]

(b) Effective for each of the fiscal years ending September 30, 1983, September 30, 1984, and September 30, 1985, the Secretary of Agriculture shall use, in addition to the amounts specified in subsection (a) of this section, funds of the Commodity Credit Corporation in an amount equal to one-half of the estimated proceeds, as determined by the Secretary, from the sale of dairy products during each fiscal year, respectively, required under section 201 of the Agricultural Export Equity and Market Expansion Act of 1983, for export assistance for United States agricultural commodities and products thereof to equalize the price and credit subsidies of other countries on their agricultural exports. For the purposes of this subsection and subsection (c) of this section, the term "export assistance" shall be limited to payments, or such other means as are determined appropriate by the Secretary, to reduce the price of such commodities and the products thereof sold for export or to reduce the effective rate of interest charged for credit in connection with such export sales. The Secretary shall provide export assistance under this subsection using the provisions of law in effect on the date of enactment of this subsection.

(c) Between the date of enactment of this subsection and September 30, 1983, the Secretary of Agriculture shall use at least $90,000,000 of Commodity Credit Corporation funds for export assistance in connection with value-added or high-value agricultural products produced in the United States: Provided, That, of such funds, the Secretary shall use at least $20,000,000 for export assistance for United States poultry and eggs; at least $15,000,000 for export assistance for United States raisins; and at least $5,000,000 for export assistance for United States canned fruit. The funds required to be used under this subsection shall be used for price reduction payments to the extent that payments for interest rate reduction

in connection with export credit sales would be ineffective to equalize price and credit subsidies of another country in connection with a particular commodity or product.

(d) The Secretary of Agriculture shall carry out the program authorized by this section through the Commodity Credit Corporation.

(e) The authority provided in this section shall be in addition to, and not in place of, any authority granted to the Secretary of Agriculture or the Commodity Credit Corporation under any other provision of law.

AGRICULTURE AND FOOD ACT OF 1981

* * * * * * *

EXPANSION OF INTERNATIONAL MARKETS FOR UNITED STATES AGRICULTURAL COMMODITIES AND PRODUCTS THEREOF

SEC. 1207. (a) It is the sense of Congress that, in order to further assist in the development, maintenance, and expansion of international markets for United States agricultural commodities and the products thereof, the Secretary of Agriculture should and is requested to—

* * * * * * *

(5) expand, to the fullest extent possible, the market development activities of the Foreign Agricultural Service of the Department of Agriculture in developed, developing, market, and nonmarket foreign countries with particular emphasis on ⟦(A) continuation of the cooperator programs at the same funding level (adjusted for inflation) as provided during fiscal year 1970; (B) a more active export market development program for value added farm products and processed foods; and⟧ *(A) funding market development and cooperator programs at the same or greater funding levels as provided during fiscal year 1971 (adjusted to reflect the cumulative and compounded change in prices and variations in exchange rates since fiscal year 1971); (B) funding an export market development program for value-added farm products and processed foods at a greater funding level than that provided during fiscal year 1983; and* (C) the implementation of a full-scale program for forestry products, including commodity information, trade policy, and market development for such products;

* * * * * * *

AGRICULTURAL ACT OF 1949

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TITLE IV—MISCELLANEOUS

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RESTRICTIONS ON SALES BY CCC

SEC. 407. The Commodity Credit Corporation may sell any farm commodity owned or controlled by it at any price not prohibited by this section. In determining sales policies for basic agricultural commodities or storable nonbasic commodities, the Corporation should give consideration to the establishing of such policies with respect to prices, terms, and conditions as it determines will not discourage or deter manufacturers, processors, and dealers from acquiring and carrying normal inventories of the commodity of the current crop. The Corporation shall not sell any basic agricultural commodity or storable nonbasic commodity at less than 5 per centum above the current support price for such commodity, plus reasonable carrying charges: *Provided,* That effective with the beginning of the marketing year for the 1961 crop, the Corporation shall not sell any upland or extra long staple cotton for unrestricted use at less than 15 per centum above the current support price for cotton plus reasonable carrying charges, except that the Corporation may, in an orderly manner and so as not to affect market prices unduly, sell for unrestricted use at the market price at the time of sale a number of bales of cotton equal to the number of bales by which the nationa marketing quota for such marketing year is reduced below the estimated domestic consumption and exports for such marketing year pursuant to the provisions of section 342 of the Agricultural Adjustment Act of 1938, as amended: *Provided further,* That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 per centum of the current loan rate for such cotton under section 103(a) plus reasonable carrying charges: *Provided,* That the Corporation shall not sell any of its stocks of wheat, corn, grain sorghum, barley, oats, and rye, respectively, at less than 115 per centum of the current national average loan rate for the commodity, adjusted for such current market differentials reflecting grade, quality, location, and other value factors as the Secretary determines appropriate plus reasonable carrying charges. The foregoing restrictions shall not apply to (A) sales for new or byproduct uses; (B) sales of peanuts and oilseeds for the extraction of oil; (C) sales for seed or feed if such sales will substantially impair any price-support program; (D) sales of commodities which have substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage; (E) sales for the purpose of establishing claims arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity; (F) sales for export; (G) sales of wool; and (H) sales for other than primary uses. Notwithstanding the foregoing, the Corporation, on such terms and conditions as the Secretary may deem in the public interest, shall make available any farm commodity or product thereof owned or controlled by it for use in relieving distress (1) in any area in the United States including the Virgin Islands declared by the President to be an acute distress area because of unemployment or other economic cause if the President finds that such use will displace or interfere with normal marketing of agricultural commodities and (2) in connection with any major disaster determined by the President to warrant assistance by the Federal Government under Public Law 875, Eighty-first Congress, as amended (42 U.S.C. 1855) and shall make feed owned or controlled by it available at any price not less than 75 per centum of the current basic county loan rate (or a comparable price if there is no current basic county loan rate) for assistance in the preservation and maintenance of foundation heards of cattle (including producing dairy cattle), sheep, and goats, and their offspring, in any area of the United States including the Virgin Islands where, because of flood, drought, fire, hurricane, earthquake, storm, disease, insect infestation, or other catastrophe in such areas, the Secretary determines that an emergency exists which warrants such assistance, such feed to be made available only to persons who do not have, and are unable to obtain through normal channels of trade with out undue financial hardship, sufficient feed for such livestock: *Provided,* That the Secretary may provide for the furnishing of feed, or mixed feed in accordance with regulations prescribed by him, to such persons by feed dealers under an arrangement whereby the feed grains (or other feed being sold by the Corporation) in the feed so furnished would be replaced with feed owned or controlled by the Corporation and sold to such persons at a price determined as provided above. Except on a reimbursable basis, the Corporation shall not bear any costs in connection with making such commodity available beyond the cost of the commodities to the Corporation in store and the handling and transportation costs in making delivery of the commodity to designated agencies at one or more central locations in each State or other area. Nor shall the foregoing restrictions apply to sales of commodities the disposition of which is desirable in the interest of the effective and efficient conduct of the Corporation's operations because of the small quantities involved, or because of age, location or questionable continued storability, but such sales shall be offset by such purchases of commodities as the Corporation determines are necessary to prevent such sales from substantially impairing any price-support program, or unduly affecting market prices, but in no event shall the purchase price exceed the Corporation's minimum sales price for such commodities for unrestricted use. For the purpose of this section, sales for export shall not only include sales made on condition that the identical commodities sold be exported, but shall also include sales made on condition that commodities of the same kind and of comparable value or quantity be exported, either in raw or processed form. Notwithstanding the foregoing whenever prior to December 31, 1963, the Secretary determines it necessary in order to assure the Nation an adequate supply of milk free of contamination by radioactive fallout, he may make feed owned or controlled by the Commodity Credit Corporation available to producers of milk in any area or areas of the United States at such prices and on such terms and conditions as he deems appropriate in the public interest. Notwithstanding any other provision of law, (1) the Commodity Credit Corporation shall sell upland cotton for unrestricted use at the same prices as it sells cotton for export, in no event, however, at less than 115 per centum of the loan rate for Strict Low Middling one and one-sixteenth inch upland cotton (micronaire 3.5 through 4.9) adjusted for such current market differentials reflecting grade, quality, location, and other value factors as the Secretary determines appropriate plus reasonable carrying charges, and (2) the Commodity Credit Corporation shall sell or make available for unrestricted use at current market prices in each marketing year a quantity of upland cotton equal to the amount by which the production of upland cotton is less than the estimated requirements for domestic use and for export for such marketing year. The Secretary may make such estimates and adjustments therein at such times as he determines will best effectuate the provisions of part (2) of the foregoing sentence and such quantities of cotton as are required to be sold under such sentence shall be offered for sale in an orderly manner and so as not to affect market prices unduly. Notwithstanding any other provision of this section, effective August 1, 1968, the Commodity Credit Corporation shall make available during each marketing year for sale for unrestricted use at market prices at the time of sale, a quantity of American grown extra long staple cotton equal to the amount by which the production of such cotton in the calendar year in which such marketing year begins is less than the estimated requirements of American grown extra long staple cotton for domestic use and for export for such marketing year: *Provided*, That no sales shall be made at less than 115 per centum of the loan rate for extra long staple cotton under section 101(f) of this Act beginning with the marketing year for the first crop for which the national marketing quota for extra long staple cotton is not established under paragraph (3) of section 347(b) of the Agricultural Adjustment Act of 1938, as amended. The Secretary may make such estimates and adjustments therein at such times as he determines will best effectuate the provisions of the foregoing sentence and such quantities of cotton as are required to be sold under such sentence shall be offered for sale in an orderly manner and so as not to affect market prices unduly. *Notwithstanding any other provision of this section, effective beginning thirty days after the enactment of this sentence, stocks of extra long staple cotton held by the Commodity Credit Corporation may be sold for unrestricted use at such price levels as the Secretary determines appropriate to maintain and expand export and domestic markets for such cotton.*

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DISPOSITION OF COMMODITIES TO PREVENT WASTE

SEC. 416. In order to prevent the waste of commodities whether in private stocks or acquired through price-support operations by the Commodity Credit Corporation before they can be disposed of in normal domestic channels without impairment of the price-support program or sold abroad at competitive world prices, the Commodity Credit Corporation is authorized, on such terms and under such regulations as the Secretary may deem in the public interest: (1) upon application, to make such commodities available to any Federal agency for use in making payment for commodities not produced in the United States; (2) to barter or exchange such commodities for strategic or other materials as authorized by law; (3) in the case of food commodities to donate such commodities to the Bureau of Indian Affairs and to such State, Federal, or private agency or agencies as may be designated by the proper State or Federal authority and approved by the Secretary, for use in the United States in nonprofit school-lunch programs, in nonprofit summer camps for children, in the assistance of needy persons, and in charitable institutions, including hospitals, to the extent that needy persons are served. In the case of (3) the Secretary shall obtain such assurance as he deems necessary that the recipients thereof will not diminish their normal expenditures for food by reason of such donation. In order to facilitate the appropriate disposal of such commodities, the Secretary may from time to time estimate and announce the quantity of such commodities which he anticipates will become available for distribution under (3). The Commodity Credit Corporation may pay, with respect to commodities disposed of under this section, reprocessing, packaging, transporting, handling, and other charges accruing up to the time of their delivery to a Federal agency or to the designated State or private agency. In addition, in the case of food commodities disposed of under this section, the Commodity Credit Corporation may pay the cost of processing such commodities into a form suitable for home or institutional use, such processing to be accomplished through private trade facilities to the greatest extent possible. For the purpose of this section the terms "State" and "United States" include the District of Columbia and any Territory or possession of the United States. Dairy products acquired by the Commodity Credit Corporation through price support operations may, insofar as they can be used in the United States in nonprofit school lunch and other nonprofit child feeding programs, in the assistance of needy persons, and in charitable institutions, including hospitals, to the extent that needy persons are served be donated for any such use prior to any other use or disposition. Notwithstanding any other provision of law, such dairy products may be donated for distribution to needy households in the United States and to meet the needs of persons receiving nutrition assistance under the Older Americans Act of 1965. [Such dairy products may also be donated through foreign governments and public and nonprofit private humanitarian organizations for the assistance of needy persons outside the United States, and the Commodity Credit Corporation may pay, with respect to commodities so donated, reprocessing, packaging, transporting, handling, and other charges, including the cost of overseas delivery. In order to assure that any such donations for use outside the United States are coordinated with and complement other United States foreign assistance, such donations shall be coordinated through the mechanism designated by the President to coordinate assistance under the Agricultural Trade Development and Assistance Act of 1954 and shall be in addition to the level of assistance programmed under that Act.] *Such dairy products and other agricultural commodities and products thereof acquired by the Commodity Credit Corporation may also be donated through foreign governments and to public and nonprofit private humanitarian organizations for the sale or barter, as approved by the Secretary, and direct distribution of such commodities for the assistance of needy persons outside the United States, and the Commodity Credit Corporation may pay, with respect to commodities and products thereof so donated, reprocessing, packaging, transporting, handling, and other* *charges, including the cost of overseas delivery. The proceeds and services realized from the sale and barter of such dairy products and other commodities and products thereof by public and nonprofit private humanitarian organizations shall be used exclusively for such activities as are approved by the Secretary to facilitate providing assistance to needy people. No portion of the proceeds or services realized by sale or barter may be used by such organizations to meet their operating and overhead expenses. To ensure that any such donations for use outside the United States complement, and are coordinated with, other United States foreign assistance, such donations shall be coordinated through the mechanism designated by the President to coordinate assistance under the Agricultural Trade Development and Assistance Act of 1954 and shall be in addition to the level of assistance programmed under that Act.*

AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954

* * * * * * *

TITLE I

* * * * * * *

SEC. 116. Notwithstanding any other provision of law, the President may use agricultural commodities and products thereof acquired by the Commodity Credit Corporation to increase the level of agricultural exports under titles I, II, and III of this Act consistent with the purposes of this Act. The use of Commodity Credit Corporation stocks under this section shall be in addition to the level of assistance programmed under this Act.

TITLE II

* * * * * * *

SEC. 201 (a) The President is authorized to determine requirements and furnish agricultural commodities, on behalf of the people of the United States of America, to meet famine or other urgent or extraordinary relief requirements; to combat malnutrition, especially in children; to promote economic and community development in friendly developing areas; and for needy persons and nonprofit school lunch and preschool feeding programs outside the United States. The Commodity Credit Corporation shall make available to the President such agricultural commodities determined to be available under section 401 as he may request.

(b) The minimum quantity of agricultural commodities distributed under this title—

(1) for fiscal years 1978 through 1980 shall be 1,600,000 metric tons, of which not less than 1,300,000 metric tons shall be distributed through nonprofit voluntary agencies and the World Food Program;

(2) for fiscal year 1981 shall be 1,650,000 metric tons, of which not less than 1,350,000 metric tons shall be distributed through nonprofit voluntary agencies and the World Food Program; and

(3) for fiscal year 1982 and each fiscal year thereafter shall be 1,700,000 metric tons, of which not less than 1,200,000

metric tons for nonemergency programs shall be distributed through nonprofit voluntary agencies and the World Food Program;

unless the President determines and reports to the Congress, together with his reasons, that such quantity cannot be used effectively to carry out the purposes of this title: *Provided,* That such minimum quantity shall not exceed the total quantity of commodities determined to be available for disposition under this Act pursuant to section 401, less the quantity of commodities required to meet famine or other urgent or extraordinary relief requirements.

(c)(1) In distributing agricultural commodities under this title, the President shall consider the nutritional assistance to recipients and benefits to the United States that would result from distributing such commodities in the form of processed and protein fortified products.

(2) In distributing agricultural commodities under this title, the President shall take all feasible steps to ensure that approximately 55 to 60 per centum of the total actual tonnage of such commodities distributed in each fiscal year (excluding conversion for grain equivalency) be in the form of processed and protein fortified products. In selecting commodities to meet the tonnage target specified in this paragraph, the President shall consider the nutritional needs of the proposed recipients of the commodities and the purposes of this title.

SEC. 202. (a) The President may furnish commodities for the purposes set forth in section 201 through such friendly governments and such agencies, private or public, including intergovernmental organizations such as the World Food Program and other multilateral organizations in such manner and upon such terms and conditions as he deems appropriate. The President shall, to the extent practicable, utilize nonprofit voluntary agencies registered with, and approved by, the Agency for International Development. If no United States nonprofit voluntary agency registered with and approved by the Agency for International Development is available, the President may utilize a foreign nonprofit voluntary agency which is registered with and approved by the Agency for International Development. Insofar as practicable, all commodities furnished hereunder shall be clearly identified by appropriate marking on each package or container in the language of the locality where they are distributed as being furnished by the people of the United States of America. Except in the case of emergency, the President shall take reasonable precaution to assure that commodities furnished hereunder will not displace or interfere with sales which might otherwise be made.

(b)(1) Assistance to needy persons under this title shall be directed, insofar as practicable, toward community and other self-help activities designed to alleviate the causes of need for such assistance.

(2) In order to assure that food commodities made available under this title are used effectively and in the areas of greatest need, entities through which such commodities are distributed shall be encouraged to work with indigenous institutions and employ indigenous workers, to the extent feasible, to assess nutritional and other needs of beneficiary groups, help these groups design and carry out mutually acceptable projects, recommend

ways of making food assistance available that are most appropriate for each local setting, supervise food distribution, and regularly evaluate the effectiveness of each project.

(3) In distributing food commodities under this title, priority shall be given, to the extent feasible, to those who are suffering from malnutrition by using means such as (A) giving priority within food programs for preschool children to malnourished children, and (B) giving priority to the poorest regions of countries.

(4) In using nonprofit voluntary agencies to distribute food commodities under this title, the President shall consider any nutritional and developmental objectives established by such agencies that are based on their assessment of the needs of the people assisted.

* * * * * * *

TITLE III

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SEC. 302 (a) Whenever the President, in consultation with the government of a developing country, determines that such developing country meets the criteria specified in subsection (b) of this section and could benefit from the sale of United States agricultural commodities (including processed and blended foods) for the purposes of generating funds or distributing such commodities or agricultural and rural development, and improving food distribution and use within such country, the President may designate such country as eligible for a Food for Development Program.

(b) In order to be eligible for a Food for Development Program under this section, a country must (1) have a need for external resources to improve its food production, marketing, distribution, and storage systems; (2) meet the criterion used to determine basic eligibility for development loans of the International Development Association of the International Bank for Reconstruction and Development; (3) have the ability to utilize effectively the resources made available by the sale of food commodities under this section for the purposes specified in clause (1) of this subsection; and (4) indicate the willingness to take steps to improve its food production, marketing, distribution, and storage systems.

(c) (1) Except as provided in paragraph (2) of this subsection, the aggregate value of all agreements entered into under this title—

(A) for fiscal year 1978, shall be not less than 5 percent,

(B) for fiscal year 1979, shall be not less than 10 percent, and

(C) for fiscal year 1980 and each fiscal year thereafter, shall be not less than 15 percent,

of the aggregate value of all agreements entered into under title I of this Act for such fiscal year.

(2) The President may waive the requirement of paragraph (1) of this subsection with respect to a fiscal year if he determines that there are an insufficient number of agricultural and rural development projects which qualify for assistance under this title and that therefore the humanitarian purposes of this Act would be better served by furnishing financing under other provisions of this Act. Any such waiver shall be reported to the Congress, together with a detailed statement of the reasons for the lack of acceptable projects and a detailed description of efforts by the United States Govern-

ment to assist eligible countries, pursuant to section 303(a), in identifying appropriate projects for this title, even beyond the minimums required by paragraph (1) of this subsection.

(4) In developing and carrying out Food for Development Programs under this title, consideration shall be given to using the capability and expertise of American agriculture *and of United States nonprofit voluntary agencies and cooperatives,* in partnership with indigenous individuals and organizations, in furthering economic development and increased food production.

(5)(A) The President shall, to the extent feasible, ensure that the aggregate value of all agreements entered into under this title in any fiscal year equals approximately 17 to 20 per centum of the aggregate value of all agreements entered into under title I of this Act for such fiscal year.

(B) If the aggregate value target specified in subparagraph (A) is not reached for a fiscal year, the President shall submit to Congress a detailed statement of the reasons for the lack of acceptable agricultural and rural development projects that qualify for assistance under this title and a detailed description of the efforts of the United States Government to assist eligible countries, under section 303(a) of this Act, in identifying appropriate projects for assistance under this title.

(d)(1) To help lessen the severity of food shortages in famine-prone countries, the agreements entered into under this title shall provide, to the extent feasible, that commodities made available under such agreements, or funds generated from the sale of such commodities in participating countries, will be used at the farm and village level in famine-prone countries, especially countries in sub-Saharan Africa, to establish rural projects that—

(A) emphasize postharvest food conservation; and

(B) provide, to the maximum extent feasible, for participation in the development and administration of such projects by a representative number of the intended project beneficiaries.

(2) Agreements entered into under this title to establish rural projects described in paragraph (1) shall specify the measures to be taken to—

(A) implement the requirements contained in paragraph (1); and

(B) ensure that commodities made available under such agreements, or funds generated from the sale of such commodities, are used primarily to benefit the poor in participating countries.

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COMMODITY CREDIT CORPORATION CHARTER ACT

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SEC. 4. GENERAL POWERS.—The Corporation—

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(h) May contract for the use, in accordance with the usual customs of trade and commerce, of plants and facilities for the physical handling, storage, processing, servicing, and transportation of the agricultural commodities subject to its control. The Corporation shall have power to acquire personal property necessary to the conduct of its business but shall not have power to acquire real property or any interest therein except that it may (a) rent or lease office space necessary for the conduct of its business and (b) acquire real property or any interest therein for the purpose of providing storage adequate to carry out effectively and efficiently any of the Corporation's programs, or of securing or discharging obligations owing to the Corporation, or of otherwise protecting the financial interests of the Corporation: *Provided,* That the authority contained in this subsection (h) shall not be utilized by the Corporation for the purpose of acquiring real property, or any interest therein, in order to provide storage facilities for any commodity unless the Corporation determines that existing privately owned storage facilities for such commodity in the area concerned are not adequate: *Provided further,* That no refrigerated cold storage facilities shall be constructed or purchased except with funds specially provided by Congress for that purpose: *And provided further,* That nothing contained in this subsection (h) shall limit the duty of the Corporation, to the maximum extent practicable consistent with the fulfillment of the Corporation's purposes and the effective and efficient conduct of its business, to utilize the usual and customary channels, facilities, and arrangements of trade and commerce in the warehousing of commodities: *And provided further,* That to encourage the storage of grain on farms, where it can be stored at the lowest cost, the Corporation may make loans to grain growers needing storage facilities when such growers shall apply to the Corporation for financing the construction or purchase of suitable storage, and these loans shall be deducted from the proceeds of price support loans or purchase agreements made between the Corporation and the growers: *And provided further,* That to encourage the storage of dry or high moisture grain, soybeans, and rice, and high moisture forage and silage on farms, where the commodities can be stored at the lowest cost, the Corporation shall—during the period beginning October 1, 1977, and ending September 30, 1981—make secured storage facility loans not to exceed $100,000 to growers of such commodities in amounts not less than 75 per centum of the total construction cost of such facility, including but not limited to the cost of structural and equipment foundations, electrical systems, grain handling systems, drying equipment, and site preparation, or, in the discretion of the Corporation, such loans may be made in such amounts not to exceed $100,000 to cover remodeling costs of existing storage facilities, as are set forth in regulations issued by the Secretary; such loans shall be for a period not to exceed ten years at an interest rate based upon the rate of interest charged the Corporation by the United States Treasury; and the loans shall be deducted from the proceeds of price support loans or purchase agreements made between the Corporation and the growers. Notwithstanding any other provision of law, the Commodity Credit Corporation [is authorized,] *shall, to the maximum extent practicable, in consultation with the Secretary of State, and* upon terms and conditions prescribed or approved by the Secretary of Agriculture, [to] accept strategic and critical materials produced abroad in exchange for agricultural commodities acquired by the Corporation. Insofar as practicable, in effecting such exchange of goods, [normal commercial trade channels shall be utilized and priority shall be given] *the Secretary shall: (1) use normal commercial trade channels; (2) take action to avoid displacing usual marketings of United States agricultural commodities and products thereof, (3) take reasonable precautions to prevent the resale or transshipment to other countries, or use for other than domestic use in the importing country, of agricultural commodities used for such exchange; and (4) give priority* to commodities easily storable and those which serve as prime incentive goods to stimulate production of critical and strategic materials. The determination of the quantities and qualities of such materials which are desirable for stockpiling and the determination of which materials are strategic and critical shall be made in the manner prescribed by section 3 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 *et seq.*). Strategic and critical materials acquired by Commodity Credit Corporation in exchange for agricultural commodities shall, to the extent approved by the President be transferred to the stock pile provided for by the Strategic and Critical Materials Stock Piling Act; and when transferred to the stock pile the Commodity Credit Corporation shall be reimbursed for the strategic and critical materials so transferred to the stock pile from the funds made available for the purpose of the Strategic and Critical Materials Stock Piling Act, in an amount equal to the fair market value, as determined by the [Secretary of the Treasury] *Administrator of General Services,* of the material transferred to the stock pile. *If the volume of petroleum products (including crude oil) stored in the Strategic Petroleum Reserve is less than the level prescribed under section 154 of the Energy Policy and Conservation Act (42 U.S.C. 6234), the Corporation shall, to the maximum extent practicable, with the approval of the Secretary of Agriculture, and in consultation with the Secretary of Energy and the Secretary of State, accept petroleum products (including crude oil) produced abroad in exchange for agricultural commodities acquired by the Corporation and shall transfer the petroleum products, without reimbursement, to the Secretary of Energy to be placed in the Reserve.* Nothing contained herein shall limit the authority of the Commodity Credit Corporation to acquire, hold, or dispose of such quantity of strategic and critical materials as it deems advisable in carrying out its functions and protecting its assets: *Provided,* That, notwithstanding any other provision of law, where a grain storage facility owned by the Corporation is not needed by the Corporation and, upon being offered for sale no person offers to pay the minimum price set by the Corporation for such facility for use in connection with storage or handling of agricultural commodities, then the Corporation may, without declaring such facility to be excess property, sell it by bids at not less than such minimum price to any public or private nonprofit agency or organization for use for the purposes of such agency or organization. This provision shall apply also to facilities which on the effective date of this Act have been declared excess to the needs of the Commodity Credit Corportion but have not been claimed by any other Government agency, or surplus to the needs of the Government but not disposed of pursuant to the provisions of the Federal Property and Administrative Services Act of 1949, as amended.

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FOREIGN ASSISTANCE ACT OF 1961

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PART II

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Chapter 4—Economic Support Fund

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SEC. 531. AUTHORITY.—(a)(1) The Congress recognizes that under special economic, political, or security conditions the national interests of the United States may require economic support for countries or in amounts which could not be justified solely under chapter 1 of part I. In such cases, the President is authorized to furnish assistance to countries and organizations, on such terms and conditions as he may determine, in order to promote economic or political stability. In planning assistance intended for economic development under this chapter, the President shall take into account, to the maximum extent feasible, the policy directions of section 102.

(2) The Secretary of State shall be responsible for policy decisions and justifications for economic support programs under this chapter, including determinations of whether there will be an economic support program for a country and the amount of the program for each country. The Secretary shall exercise this responsibility in cooperation with the Administrator of the agency primarily responsible for administering part I.

(b)(1) There are authorized to be appropriated to the President to carry out the purposes of this chapter $2,623,500,000 for the fiscal year 1982 and $2,723,500,000 for the fiscal year 1983.

(2) Amounts appropriated to carry out this chapter are authorized to remain available until expended.

(c) Amounts appropriated to carry out this chapter shall be available for economic programs only and may not be used for military or paramilitary purposes.

(d) The President shall use an amount equal to not less than 20 per centum of the funds appropriated to carry out this chapter for the purchase of domestic agricultural commodities. At least one-half of such amount shall be used to purchase processed or value-added products of such commodities.

[Note: Section 531, subsection (d), does not become effective until October 1, 1983.]

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